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UNCERTAINTIES OF CHINA'S LEGAL SYSTEM

China is creating a new legal system to take the place of the revolutionary people's courts, and lawyers are again being admitted to practice. A party of noted British and French jurists and legal experts were recently invited to China by the Political Science and Law Association and gave encouraging counsel on this new policy. The party included Mr. Elwyn Jones, Q.C., who is also a Labour M.P., and Mr. Ralph Millner and Messrs. Sarraute and Lasseque of France. They outlined their impressions of the judicial system as it is now evolving in a Press interview in Peking on the eve of their departure on April 25. They expressed great interest in the fact that a penal code is now being drafted and that the codification of criminal and civil law is beginning—"great though the difficulties may be." Millner commented on the circumstance that New China is advancing with great speed in introducing a new system of justice as well as in so many other things. The stage now reached after only seven years was, he said, very striking. He forbore to say how unfortunate it was that the new regime had ever discarded the long and exceedingly competent work done over the past four decades by a galaxy of legal talent, both Chinese and foreign. The result is that "Chinese justice" has fallen internationally into greater disrepute than ever before. The revelations especially of distinguished foreigners who fell foul of it have done China's prestige much harm, though both in severity and in volume far greater harm was suffered by Chinese prisoners themselves. It is a good omen that it was this non-Communist body, and not the Communist-sponsored "International Association of Democratic Lawyers"—notorious for their findings on the "germ war" and on the treatment of U.N. war prisoners—who were invited to

Peking this time. It is true that it was not the Ministry of Justice or any other part of the Communist Government, but an unofficial and expert association which invited the group. It is also true that the new Legalists have their difficulties with the Party fanatics.

One or two of the lawyers expressed their admiration of the dignity of the courts they had seen and of the proper attitude of the Bench. The accused were "not subject to any kind of bullying and could speak freely" but they felt defence lawyers should take a more active part. This is now promised. Just before the visiting group of jurists got to Peking a spokesman of the Ministry of Justice revealed with all due modesty that in the current year a number of lawyers will start practice for the general public as well as for Government organs, enterprises, and public bodies. He also revealed that a little more than a month earlier a conference had been called to discuss the work of the lawyers. The truth is of course that the legal-minded personages have to watch their step because of Party hostility and the preference of these people for the very rough and ready methods of imposing their own primitive ideas of law and justice. It is indeed remarkable that they have managed to make so much progress toward a better legal system in so relatively short a time. They had a powerful weapon in Article 76 of the Constitution, however. This states that people accused in Court have the right to defence.

The question of the tasks and the form of organization for the work of the lawyers was broached, as well as the question of fees. It was considered that the tasks of the lawyers are to give

assistance in matters relating to law to the citizens as well as to Government organs, and in a positive manner to "reduce disorder and prevent crimes in the interests of the maintenance of revolutionary laws. The activities of the lawyers, it was announced, are to include: Answering the enquiries of the people and furnishing them with legal opinions; preparing a statement of defence or indictment or other legal documents for the client; and participating in court proceedings as defence counsel in criminal cases, or as representative of the plaintiff, defendant or other interested parties in a civil case. Lawyers' associations are to be formed in all major centres and will guide the work of the lawyers. These associations are "social bodies" voluntarily organized by the lawyers. The lawyers are to be allowed to set up legal advisers' offices to carry out their practice.

Though the visiting lawyers praised the way in which the new regime is "involving the whole of the people in the making of the law, such as the marriage law and the penal code, and also in legal administration, such as the people's assessors in the Courts, there has recently been a considerable conflict between the Party's ideas and those of the Judges as to the precise role the assessors should play. The Party authorities complained that the Judges in the People's Courts were guilty of "a grave conservative way of thinking" and are insisting that better use be made of the people's assessors, usually Party activists who often make up for their lack of intelligence and legal sense with extreme prejudices and ideological hates. They complain that the Judges are not as stern and harsh as they ought to be, and that they habitually ignore the assessors. Those accustomed to making independent decisions in the past are addicted to passing judgments in person and fail to seek support therein from the assessors.

The Kwang Ming Jih Pao, for example, declares that the people's assessor system is "an important system to give the masses a part in State management." It enables the trial of all cases, simple suits, lesser criminal suits, and suits otherwise provided by law excepted, to be carried out with the participation and under the supervision of the people's assessors. It makes the curious claim that "it manifests the superiority and substance of the system of people's democratic dictatorship in our country." The fact that ordinary workers, peasants, and other toilers as well as the broad masses (presumably meaning mobs) are able to take part not only in general political activity but also in judicial activity, it says, greatly enhances the sense of responsibility and positive quality of the people in the political field. "This is of advantage in bringing out the wisdom of the broad masses of the people, inspiring their enthusiasm for taking part in Socialist construction and furthering continuously the cause of Socialism."

Because of this, the enforcement of the people's assessor system has the unreserved support not only of the Party but of the masses. Instances are cited of industries in which, having elected one of their number as a people's assessor, his fellow-workers did his job for him. In the case of housewives, their neighbours helped to look after house and the children. Assessors, by assisting in the trial of cases, learn (a) the policies of the Party and State and the law and (b) the correct employment of policies and law to deal with concrete problems. When they return to the masses, they become propagandists of State legislation. Enforcement of the system also ensures that all cases are correctly and promptly dealt with in Court. With their "sharp political understanding and rich experience in life," the people's assessors may also rectify and make up the shortcomings of the Judges.

The case was cited of the trial of a man (described by the Party Press as a "bully") at the people's tribunal in Wuhan. In this the judge was not "solemn and bold enough," and was told to his face by the assessor that "we must be dictatorial and solemn to the enemy." The judges, for their part, unilaterally emphasise that certain cases are beyond the capacity of the people's assessors because of their magnitude and complexity, and some judges assail the assessors for their ignorance of policies and law. The judges sometimes hold that the participation of the assessors would hamper the trial and advocate the restoration of the method of entrusting the trial of cases to the judges alone. This, it is argued, is wrong in the extreme, for the Organic Law of the people's courts provides that only simple civil suits, lesser criminal suits and cases otherwise provided by law may be tried without assessors. Many important complex cases which some judges were unable to solve were "dealt with properly and promptly" because of the participation of assessors. The belief that assessors cannot conduct the trial of large cases is "unfounded" and involved a violation of law.

The courts have the duty to help and cultivate the assessors. Some courts have convened conferences and symposia for assessors, and hold the judges responsible for raising the assessors' knowledge of policies and law. The mistaken belief that it is the business of the courts to require the people's assessors to carry out their duties in courts must be rectified. The assessor system has been established by the people's courts in all places, and its "immense superiority has been proved in practice. Under the circumstances marked by the vigorous development of Socialist construction and transformation in particular, the "political positive quality" of the masses has been raised to a new height, and the assessors will take part in the State judicial activity with more political experience.

TRANSFORMATION OF ENTERPRISES IN CHINA

Everybody is overloaded with work in China nowadays, and not least the Party and State bureaucrats, who now have so much to do they hardly know where to begin. The Ministry of Commerce was wise when it decided to persuade most of the private enterprises in industry and commerce to carry on exactly as before under the same management—but with merely a different signboard—after their hasty transformation into semi-State enterprises, until the State was prepared to run them and able to find the volume of competent cadres to do so. Many, and perhaps the overwhelming majority, of the older generation of industrialists and merchants are sour about the loss of their property

and businesses, which were mostly the children of their own brain, money, skill, and enterprise. They could hardly be blamed if they all shrugged their shoulders, and told the State it was up to them now to run these enterprises—they would have no more to do with them.

In any case the Peking authorities are making a very special effort to induce the natural heirs and successors of the elder owners to take on the chief role in running these enterprises. In a very long report to the National Conference of Young Active Industrialists and Merchants, Liao Cheng-chih offered his congratulations in behalf of the Youth League Central Committee and the All-China Demo-

cratic Youths' Federation on the "great victory in the Socialist transformation of capitalist industry and commerce" and on the active role the delegates to the conference had played in this. He went on to encourage them to "march along with the Fatherland and render useful service to Socialism." The last choice had been made, he said, between the Socialist and the Capitalist path. Capitalism had lost not only the soil for the re-birth of small peasant economy but also its position in the cities. Socialism had decisively and undoubtedly triumphed, and there was no force now that could obstruct the single path of the people in their march to Socialism. In the first half of this year all capitalist industry and commerce would come under State-private ownership. Next year Socialist transformation of handicrafts is expected to be basically completed. In 1958 Socialist agricultural co-operation will also be basically completed. He quoted Chairman Mao's statement that in about three years the Socialist revolution will be basically completed throughout the country. In the years to come Chinese science and culture would attain the advanced levels of the world, and China become once more "a great country, completely modernised, highly cultured, rich, powerful and developed in Socialist industry."

With this stirring but unrealistic appeal to pride and patriotism, Liao Cheng-chih urged the young delegates to the conference to throw themselves with unrivalled heroism and ardour into the fray and take part in a future for China's youth which would become "ever broader and more magnificent." In this era of rapid advance, what should the young merchants and industrialists do? To this question an answer is urgently demanded by thousands of the youth of industrial-commercial circles. It was the task of the conference to solve this question correctly and seriously through full discussions. The new joint enterprises were actually already three-fourths Socialist in character, as Lenin had characterised them. Thus for the first time in history world capitalism was being eliminated peacefully and without gunshots or the shedding of blood. Lenin's theory of peaceful transformation was being realised in China. Socialism, he said, after quoting the new sage of Russia, Khrushchev, is the popular trend and the inevitable tendency. The five-anti campaign "disinfected" the bourgeoisie and tremendously facilitated progress. If they had not taken this "good medicine" at that time, they would not have been able to pass over to Socialism in the same way as at present (meaning presumably that they would have had to take a double dose now). As it was, the national bourgeoisie were treated better than the landlord class and the bureaucratic bourgeoisie. By adopting a policy of peaceful transformation, the 4,600,000 industrial and commercial establishments will be enabled to enter along with all the people, into the "Socialist paradise." Such a good thing, he said, could not be found in Old China or in all capitalist countries—only in the new China led by the Communist Party. Communism, he went on, did not mean "common property" but "common prosperity," common prosperity through common labour. Facts now proved that China could never become an independent and industrially-developed country through the capitalist system (an assertion which blandly ignores the development of the U.S. and Canada and the big countries of South America as well as Britain, Germany, France, Belgium, and indeed most of the industrialised European satellites of the Soviet Union, which were industrialised before they were taken over).

Liao Cheng-chih went on for a long period in this strain, depending much more on fallacious and anti-foreign propaganda than on anything else to bestir the young industrial activists. His speech abounded in rhetoric and what is vulgarly termed "hot air," and though perhaps well attuned to his young audience could hardly pass muster when re-

duced to cold print and analysis afterwards. It is significant that he had to descend to this to induce an agreeable mood. He told them that joint ownership, i.e., State seizure of the entrepreneurs' property, would not only do good to the country and the people but would also bring many benefits to industrialists and merchants themselves, though possibly "you young industrialists and merchants may have deeper insight into these benefits" than their more mature parents. He recapitulated these benefits: Private persons will become semi-public persons en route to becoming public persons, no longer condemned for profit-seeking, but welcomed by the people; their political status would be raised; their future would be bright, or brighter, and after change-over they would be "properly placed," with lifelong security and without needing to worry about the bankrupting of their businesses; people of the same trade would be united, and no longer be rivals or enemies; family relationship would be made closer, and wives would no longer complain of marrying capitalists or children complain of being born of bourgeois families, (as the Communists had taught them to do), and husbands, wives and children would greet and encourage each other, their families would live in harmony, and their relationship with friends and relatives would become closer; finally, life would be full of vigour, and they would no longer muddle through their days or lead a decadent life. "Along with the penetrating transformation of enterprises and men, the flower of Socialist happiness will bloom with ever greater luxuriance. Every youth of industrial-commercial circles should know their bright future and firmly and strenuously fight for this bright future."

After this astonishing and fictitious idyll, Liao Cheng-chih went on to praise the young business activists for the active part they had played in helping to take over their fathers' and uncles' businesses: and for the way they had organised "shock forces," service squads or working squads to take inventories, conduct propaganda and "report good news," adding that 50% of the youths in Tientsin (a former major entrepot now reported to be "dead") joined the working squads. A lot of them had also (no doubt entirely voluntarily) taken part in the planting of trees as decreed by the powers-that-be. Of course the sons of such people as the bourgeoisie ought not thus to be treated or regarded with such repute, but after all they had not been practising exploitation very long. It was estimated, he said, that 80% of the young industrialists and merchants became capitalists for less than five years and that 50% of them had been in this infamous class for less than three years. Moreover, their capital was mostly small, and they were young with a long future. Why, some of them even had a certain cultural and technical knowledge! They were all good conditions for transforming themselves into labourers, much more so than for transforming other intellectuals into labourers.

"Can we say that the youth of industrial and commercial circles have absolutely no misgivings?" asked Liao Cheng-chih. "Of course, this cannot be said as yet. . . . The vast majority among you are now looking forward and not backward; but, it is not true that all of you have no worries of some sort in your advance and that you do not hanker after the capitalist path. Activists and progressive elements are increasing in number but it is not true that there are no backward elements among the youth of industrial-commercial circles. The task ahead of them is to remove those obstacles firmly on the path of advance."

Three problems seemed to exist, the haranguist proceeded, in the mind of these youths. The first is how they are to be placed, and many worried about loss or gain before and after they were placed. Some wanted higher positions, lighter responsibilities, more money and smaller efforts. Secondly, future prospects worried them, for was

TIBETAN AND MONGOL AFFAIRS

There were stirring scenes in the Tibetan capital when Vice-Premier Chen Yi and the members of his delegation arrived in mid-April from Peking for the inauguration of the Preparatory Committee for the Autonomous Region of Tibet. The fact that this event has been so long delayed tells its own tale of difficulties and problems, and indeed reports of travellers from Lhasa who reached Khatmandu say that while the Chinese convoy was on its way the leaders of a conservative sect of the Lamas plastered Lhasa with protesting posters. But when the Chinese delegation did arrive the chief pro-Chinese statesman Ngabou Ngawang Jigme, with the help of the Chinese authorities in control, organised an impressive reception, during which some 50,000 people, including Lamas, were lined up along the streets, while numerous arches, decorated with palace lanterns and golden dragon emblems, were erected on the main streets of the city leading to the Potala. The delegation arrived in a long line of cars and were welcomed some miles out of the city by the Dalai and Panchen Lamas in a pavilion where they were surrounded by the Chinese Communist Party and Army leaders and the leaders of what the Chinese call the "Tibetan Local Government."

Vice-Premier Chen Yi made it clear to them that he brought with him from Peking not only the benevolent concern of the Government, but also "a great deal of guidance." Whether they like it or not, Tibet's long isolation from the world is ended and the Tibetans have to face a new future which will be shaped by the ideas of the Chinese Communists and not by the Yellow Hat Lamas who have kept Tibet away from all the mundane influences of the outside world for centuries. Even in the days of her decadence China never ceased to consider both Tibet and

Mongolia—the whole of Mongolia—as part of her domains. The one condition Sun Yat-sen prescribed, in his "agreement" with the Soviet envoy Joffe, as a condition for a pro-Russian policy, was the Soviet recognition of China's suzerainty over Outer Mongolia. And in his detailed plans for the development of a New China, he filled both Mongolia and Tibet, as well as Sinkiang and China Proper, with a vast network of railways.

For a century the story of conflict after the Western approach to China was enacted along the coastal area of China. Now history has moved out to the vast interior regions of the continent of Asia. What the consequences may be it is impossible to foretell. It was another, and more immediately personal Sino-Tibetan marriage that led to the great resurgence of Tibet under one of its most illustrious rulers twelve centuries ago. In that era Tibetan conquests in India led to the Bay of Bengal being called the Tibetan Sea. It might be mentioned at this point that just before Chen Yi reached Peking the Indian Prime Minister announced in the House of the People that Peking had refused—a disgraceful act but a true illustration of facts—to permit the Dalai and Lanchen Lama to visit India for the great 2,500th anniversary celebrations of the Buddha.

Whatever may be the consequences, Tibet is now caught up in the tremendous momentum of China's revolutionary energies. Five great motor highways now completed or still under construction, will for the first time bring all parts of the country within the range of these revolutionary changes. The highways are the beginning. The trucks and the cars are already there. Next come the dams and the power-stations, industries and in time all the paraphernalia of the industrial civilisation which originated in the West. *Tis true, and perhaps pity tis, tis true.*

The Mongols, pale shadows of their forebears who almost conquered the earth, are now to get plumbing, hitherto wholly irrelevant to the existence of a nomad people who slept in the open or, in deep winter, in their cosy but odorous yurts. The agreements signed by M. Mikoyan in Ulan Bator recently provide for the building of a small modern town, covering some ten acres, with a modern water-works and sewage system, four roller mills, a milk factory, and even a confectionery factory. Six mechanised animal husbandry stations are also to be built in the Mongol capital, which has now become the new Harbin of the great railway system now thrown right across the breadth of Inner and Outer Mongolia and being extended from Lanchow both westward to the railway network of Central Asia and eastward to the Chinese systems. Outer Mongolia almost, but not quite, got into the United Nations last year. It may get in yet, and obviously a capital that might be the seat of one of the innumerable "world" conferences of one sort or another, or of a conference of UNESCO intellectuals, had to look the part.

In this case it was the Chinese who really set the pace. The Mongols themselves have been as content as the Russians to let Ulan Bator remain its primitive self. Only now, after 30 years of Russian occupation or direction, has a move been made to modernise the Mongol capital. As Liu Shou-chi proclaimed, the building of a Socialist system is the common objective of the Communist revolution for all the minority nationalities as well as for the present power. It has not all been plain sailing, and it will not be in the future. Some of the Mongols of Inner Mongolia, so the Chinese authorities admitted, "mis-

not the Party a class-war Party? But the Party, said Comrade Liao, does not advocate the theory of exclusive reliance on class status. Many cadres come from the bourgeois families. Virtue and talent, not birth, is what counts. Even bourgeois children will be regarded by the State as distinct from capitalists provided they do not take part in exploitation. Bourgeois ideas and work styles could be re-moulded. They can also exercise influence on their elders. Many of them courageously gave their parents away during the "five-anti," and exposed their "five poisons." Many of them had shouted just the right slogans when the elders were on the brink before transformation. Thirdly, the "label" or stigma of capitalist would be removed sooner or later, but it was wrong of them to demand its removal right away by cancelling fixed interest payments. "To cancel fixed interest payment is a thing of momentous consequence."

Young activists among the families of industrialists and merchants should take an active part in the transformation of enterprises, improve operation and management and develop production after the change-over; learn from State enterprises their Socialist way of operation and management; produce more goods of better quality at less cost; honestly perform labour, firmly establish their love for labour and constantly study and improve their labour technique; and reform themselves seriously and study painstakingly; while at the same time conducting political study so as to remould their thought and enhance their Socialist consciousness. The more intelligent may perhaps pause to marvel—though not perhaps daring to question—by what arrogance of law or power or right a small coterie of self-imposed politicians and ideologues can thus order their existence!

VITAL CHANGES IN THE COMMUNIST WORLD

The full implications of the 20th Congress of the Communist Party of the Soviet Union, which convened in Moscow February 14-25, will not be apparent for some months. Yet there is little doubt, on the basis of information made public to date, that the Congress will go down in history as an event of signal importance. The most spectacular development at the CPSU Congress was the virtual dethronement of the once omnipotent dictator of the USSR, Joseph Visarionovitch Stalin, the foundation for which was provided by the address of the First Secretary of the party, Nikita Khrushchev. Speaking with the confidence that comes from a consciousness of power, Khrushchev startled his audience, and the world, by asserting that Communists—Leninist and Stalinist teachings notwithstanding—do not necessarily stand for the violent overthrow of the capitalist order; that parliaments (which, according to Lenin, were to be utilized for the express purpose of their eventual destruction) may serve as organs of “genuine democracy for the working people”; that “cooperation with social democrats” is “possible and essential”; and that the concept of “separate paths to socialism” was completely acceptable from the Marxist-Leninist point of view (thus in effect giving sanction to an erstwhile deviation for which many a dedicated Communist paid with his life).

The most significant statement, however, came toward the end of the speech. Said Khrushchev: The Central Committee adopted measures for wide-scale enlightenment on the Marxist-Leninist position of the role of personality in history. The Central Committee resolutely opposes the cult of personality alien to the spirit of Marxism-Leninism, which turns one or another leader into a miracle-performing hero and, at the same time, minimizes the role of the party and the popular masses.

Though Khrushchev refrained from mentioning names, there was little doubt to whom he was referring: the “miracle-performing hero” was none other than the late dictator of the USSR, Joseph Stalin.

This theme was soon reiterated and expanded by other speakers. M. A. Suslov, Secretary of the C. P. S. U. Central Committee, bluntly condemned the “cult of personality . . .

understand” regional autonomy, confusing it with independent sovereignty wherein the leadership of the government of a higher level is not needed. Chairman Ulanfu of the Inner Mongolian Autonomous Region, put it neatly. “They think that once an area becomes autonomous, there is no need for the Hans. Some think that after regional autonomy, the Han (Chinese) cadres who are now helping them enthusiastically, will leave them.” The wish was no doubt father to the thought. But Peking soon found a remedy for this. It deprived Suiyuan, with its million and more Chinese, of its status as a province, transferred it to Inner Mongolia, and made it part of the Inner Mongolian Autonomous Region. Thus the processes the Communists have introduced could continue and the Mongols were outvoted and outnumbered by this device. But the idea will not only linger but grow and be matched across the border in Outer Mongolia, whence some day a call for Mongol unity will come which it may be difficult to deny. Tibet, too, will then be heard from. But in the meantime for both the Order of Revolution has come and the existence they have known for many centuries will have to give place to a new way of life.

which was spread prior to the 19th Congress” (in 1952), and which “inflicted considerable damage both to organizational and ideological work of the party.” And the veteran Bolshevik leader, Anastas Mikoyan, sharpened the edge of the attack by admitting that “in the course of about twenty years (!) we in fact had no collective leadership,” and by denouncing “certain ossified forms of Soviet diplomacy” which had flourished until three years ago (a theme later developed by Molotov). He sharply attacked that holy of holies, the Short Course on the History of the CPSU, as well as other party histories (particularly those dealing with regions where Stalin had ostensibly played a prominent role in the early years of this century) for distortion of historical truth, and especially for their mendacious treatment of “certain” personalities. Finally, he criticized Stalin’s Economic Problems of Socialism in the USSR, for its mistaken notions about the nature of contemporary capitalism.

The extent of this repudiation of the Stalin cult can only be fathomed by recalling the incredible lengths to which it was driven while the dictator was still alive. The “greatest genius on earth”; “great architect of communism”; “wise teacher and leader”; “inspirer of our glorious victories”; foremost authority on science, literature, linguistics, music—these are but a handful of the panegyrics showered upon him. What has caused this process to come to such an ignominious end?

* * * *

At the outset, it must be realized that the Soviet leadership is more than aware of the salutary effect that the liquidation of the Stalin cult will have on its subjects. The average man and woman, to whom Stalin meant—inter alia—privation, terror, purges, fear, and suspicion, cannot but welcome the repudiation as proof of good will on the part of the present regime, as an expression of its desire to break away from the bleak legacy which it had inherited in 1953. Viewed in this light, the latest step, marking the logical culmination point of a process which was initiated three years ago, can surely be considered one of the most astute tactics instituted by Stalin’s successors.

But it is more than a tactic. The dethronement is indicative of a deep malaise with which all layers of Soviet society had been afflicted, and which the present leadership has found it imperative to terminate. Yet it would be probably incorrect to assume—as some commentators do—that the leadership has been faced with a crisis of major proportions. Indeed, despite the minor upheavals which have rocked the country since Stalin’s death, the policies of his heirs have given every evidence of goal-consciousness, flexibility and stability. The dethronement of Stalin may very well be taken as proof (though not conclusive, of course) that the Soviet regime does not find it necessary to legitimize its rule by relying on the myth of invincibility that the name of Stalin represented.

Before the world accepts the new myth now being concocted in Moscow, a few words of caution seem to be in order. First the dethronement of Stalin by no means and in no way can be equated with the restoration of democracy within the party or the country at large—if, indeed, one can at all speak of a democratic restoration in Soviet Russia. This is clearly demonstrated by the way in which the “cult of personality” is now being decried, as well as by the

tenor of the Congress in toto. The new line is being handed down from above—this time, in particular, by Khrushchev—and the assembled delegates dutifully accept it, and dutifully go through the customary rites of officially sponsored enthusiasm ("animation in the hall"; "stormy and long applause, turning into ovation; all rise"; etc.). There is no disagreement from any quarter, no debate, nothing that even remotely resembles an honest exchange of opinion. On the contrary, the entire Congress bears the earmarks of the spurious spontaneity which Communist leaders love so well. As Pravda phrased it:

The working people of the Soviet Union have been and are declaring their unanimous support for the domestic and foreign policy of the Communist Party and for its general line. . . . Everywhere, in towns and villages of our country, as factories and works, in pits and power stations. . . . on collective farms, MTS, in scientific research establishments, and in army units, talks devoted to the 20th Party Congress are taking place. . . . Everywhere the working people are expressing fervent approval. . . ."

There is hardly a line here which does not resemble the hosannas sung at the 19th Congress, or any other important event in the history of the Soviet state.

Secondly, in deference to historical truth which Mikoyan has now rediscovered, it seems only fair to be reminded that the very people who are now attacking Stalin are the same ones who three years ago vied with each other in their extravagant tributes to him. It was only in October 1952, at the 19th Congress, that Mikoyan stated:

At the present stage in world history and the history of our motherland, it is unthinkable to live, build, fight without thorough mastery of all the new concepts Comrade Stalin has contributed to the Marxist-Leninist science. . . . After the 19th Party Congress our party will go forward still more calmly and confidently to the victory of communism, under the guidance of our leader and teacher, the brilliant architect of communism, our own beloved Comrade Stalin. Glory to the great Stalin!" (Stormy, prolonged applause. All rise).

Those who are now burying Stalin are those who brought him to power, who—though exposed to Stalin's paranoiac wrath—were also the beneficiaries of his exalted status—in short, those who had, in the course of the past quarter of a century, taken the place of the men who made the revolution and then fell victim to it. Their present protestations, therefore, cannot but have a hollow ring of insincerity.

In his speech, Mikoyan resurrected two Bolshevik figures who had disappeared during the Great Purge in the 1930's: Antonov-Ovseenko and Kossior. Yet are we to expect any further and more fundamental rehabilitations of erstwhile idols turned into "non-persons?" It is sufficient to read Khrushchev's denunciation of "Trotskyites, Bukharinists, bourgeois nationalists and other enemies of the people" (that is, people who were actually brought to trial and did not merely vanish as those mentioned by Mikoyan) to realize how far the party is from renouncing its favorite bogey men and from cleansing its historical record. Furthermore, the party can hardly be expected to give up the instrument of the purge—even though its form may be radically altered. It is a truism worth repeating that a society that knows of no orderly procedure of governmental change must resort to the purge in its effort to keep the machinery of the state from stagnating. And a party which claims to be infallible in its essential ideological premises—and at any given time—must perforce resort to scapegoats to explain its past failings, mistakes, and shortcomings.

By using the term "scapegoats" we may, perhaps, arrive at the crux of the matter, not only insofar as the Stalin

IMPERIALISM

By Hubert Freyn

3. THE END OF IMPERIALISM

I

The First World War was rooted in the colonial rivalry of two groups of states that had formed the European Concert of the Powers. The second one was brought about by the expansionist urges of Germany, Italy and Japan. Will communist imperialism cause a third?

The brief comparisons made in the preceding two articles have shown that essential mental attitudes of the imperialist minds remain constant, the variations in nations, specific goals and degrees of methods. The conclusion is the old truth that "The more it changes, the more it remains the same", "it" being human nature, the Old Adam. This conclusion, incidentally, is today supported by the scholars of many fields whose findings show that the moral qualities of Man and certain of his urges have remained constant since probably prehistoric ages. Not all of them are noticeable all the time. Unusual conditions bring to the fore unsuspected qualities, as everybody knows from his own experience; personalities, nations, civilisations differ not only from one another but also in themselves in successive periods. The variations are endless, but the drama—or comedy—is always supported by similar stage props and like basic characteristics that cover the entire, but always the same, range from heroism to cowardice, wisdom to stupidity. Even the words spoken by actors separated by centuries have a familiar ring.

Right now, their main line shows an unusual unanimity. Everybody says that he wants peace and abhors war. But the underlying motivations are not the same, and future events will be determined not by today's speeches, however

myth is concerned, but also as regards the Communist system at large. The country is suffering from famine? It is the fault of the kulaks. The economy of the state is on the verge of collapse? It is the sabotage of the Mensheviks, the Trotskyites, the Bukharinites, the Zinovievites. Bureaucratic inefficiency? It is not the system that is at fault—it is the slovenly, corrupt, and incorrigible small-fry functionaries and officials. And so on and on, ad infinitum.

Since Stalin's death, Beria has been the chief culprit—the man responsible for all and sundry calamities—for fomenting hatred between nationalities, for depriving the Soviet citizen of his legal rights, for rupturing relations with Yugoslavia and for the deterioration of relations with Turkey for unjustly dissolving the Polish CP in 1938, for despoiling Marxism-Leninism. Now, perhaps, we see the beginning of the most horrendous, the most ironic jest ever perpetrated in the annals of the Soviet State: Stalin, until recently the "glorious sun" of the USSR, is becoming its bete noire. The Soviet people may indeed breathe more easily now that the leadership is telling them that an oppressive chapter is over, and that a new era is dawning. But can they be sure? Can they have confidence in the promises of their leaders? Strange things have happened at the 20th Congress of the CPSU, but who knows what stranger things will happen during the next few years, before a new Congress is convened? Today Khrushchev is burying Stalin—who, one is tempted to wonder, will bury Khrushchev?

well delivered, but by what men think, feel, especially by their goals. Behind the surface likeness of the four major political groupings previously mentioned are hidden as many different mentalities. (The future ambitions of rearmed) Germany and Japan must here be omitted).

The first group comprises the European imperialists of yesterday, and what has been said about their past attitude toward imperialism also applies to war. In the last century, while they were on the upgrade, war appeared entirely justified because it was fought for a cause in which they believed above all others. China simply had to be opened up to the blessings of Free Trade and the Bible. The men who supported the several wars—politicians, merchants, missionaries, the home populace at large—were no blood-thirsty ogres. They would possibly have preferred a peaceful way, but (as they saw it) the Chinese were so obstinate, hidebound and arrogant that they refused the freely offered gifts of Civilisation. War then was the only alternative to carry out the sacred duty to Progress; for certain vested interests war was also exceedingly profitable; the people at home were fed glory and loved it.

The change of mind regarding war came simultaneously with the reversal of feelings about imperialism. So soon as the ideal vanished war became despicable; it also became unprofitable; and the very ideal of Progress came under fire. The horrors of the First World War too clearly showed up the error of those who had mistaken technical and commercial advance for moral improvement. On the battlefields the Old Adam prevailed in all his heroism and bloodthirstiness.

Now, and now only, the dirty water was over the dam, and the ex-imperialists began to enjoy the opposite feeling of peaceful benevolence. Their rejection, however, of the further use of dirty water is adequately explained by the circumstance that they required no more water at all. Their imperialistic wheel had stopped turning forward. Its turning backward is as automatic as the unwinding of a watch spring. From war they now have everything to lose and nothing to gain regardless of who wins.

To the second group, the communist imperialists of today, war is bound to appear in an entirely different light. The very same two world wars which marked the beginning of the end of European imperialism produced the birth and flowering of communist power. The sacrifices were heavy, but the gains were infinitely greater. If past European liberals and missionaries (we have their records) could approve of war as a necessary means to their goal, how much more justified must the Communists today believe themselves to be! For they are animated by the urge to bring to mankind more than the mere Happiness of the Greatest Number and salvation in the hereafter. Their goal is the Classless Society where all exploitation has ceased, that is, nothing less than paradise on earth. What their imperialistic wheel needs is more, much more water, and never mind if it is dirty. Besides, the feeling of being able to rule over hundreds of millions of people is also not to be despised, not to mention the emoluments that go with this power. The only real objection of the communist imperialists to war lies in the risks involved, the absence of

which was as distinctly an unfair advantage of yesterday's imperialists as was their superiority in other practical fields. Defeat would mean the end; victory will bring world domination. If therefore victory can be won by peaceful penetration, so much the better, but war or no war, "Communism will win."

About this ultimate goal nobody anywhere is left in doubt. In the interim, under the title of co-existence, soft peace tunes are being played to lull the opposition to sleep and win the receptive ears of the third group, the Neutralists. Mao Tze-tung, in his article of July 1, 1949, had carried sincerity to excess when he said, "Neutrality is camouflage; a third road does not exist." Chou En-lai later was careful to avoid repeating his master, which was the easier because neutralist leaders had never paid any attention to Mao's pronouncements and were, and are, in no mood for an objective appraisal. They are grappling with the task of building a bridge over the century-wide gap made by European rule in the cultural continuity of the former colonies and fitting them simultaneously into the present-day world. As even a breeze of war threatens the light tentative structures so far erected with ruin, peace at almost any price, including that of self-deception, is necessary. To let off steam, it is easier to indulge in one's life-long habit of belaboring European imperialism, never mind if dead, a mental condition that, for instance, sees in Goa a greater menace than in Tibet. Following one's habits and wishful thinking are also among the characteristics of the Old Adam.

The fourth group, which is synonymous with the United States of America, also desires peace sincerely but not from weakness but from a unique strength. Of all the powers the U.S.A. alone is in a position to contemplate war without fear because war can damage but not destroy it. This is not so, as was formerly believed, because of the two oceans but because the American body politic is invulnerable just where every imperialist has his fatal weak spot: the U.S.A. rules over no colonies filled with a potentially rebellious populace from which it draws its wealth. It is invulnerable just because it has been anti-imperialistic.

Several times in their history Americans felt the imperialistic urge and engaged in dollar and other kinds of imperialistic diplomacy. But each time the venture was rejected, not by defeat from without but by opposition from within. The record speaks for itself: Cuba, San Domingo, the Philippines received their freedom without strings. Porto Rico can have it any time a majority wants it, but three quarters of the voters rejected the offer. The American island possessions in the Pacific are welfare institutions whose expenses are met by the American tax payer; barring a few exceptions, they are useless even as bases. Last but not least we have the development since 1945 of completely defeated and occupied Japan; Neutralists in particular are recommended to compare it with the fate of completely defeated and occupied East Prussia or Poland.

European liberalism was a half-way measure; it applied with full force only at home. The Asiatic victim encountered chiefly pomp, arrogance, exploitation and terror. American liberalism can afford to have no borders; its one disfigurement, race prejudice, being now fought against by the highest authorities of the country. Only a world-wide liberalism makes possible, for instance, grants and loans of over \$500,000,000 to neutralist India despite Nehru's flirting with the leaders in Moscow and Peking. This and other examples of aid merit comparison with the former subsidies paid by European nations to presumably independent Asiatic rulers. American diplomats did not invent the word "co-existence"; they take it for granted.

Therefore, the U.S.A. can afford to take risks which would be the death of any communist regime, such as plebiscites; it has nothing vital to lose. But by peace it has everything to gain, and that is not world domination.

II

The arguments against a third world war are unconvincing. Those who say it would be too horrible overlook that fear of horror has never yet prevented a war. Those who say it would be too destructive disregard the evidence of the recuperative power inherent in the machine and modern industrial organisation, a power strikingly demonstrated by the resurgence of West Germany in less than a decade. The atomic and similar bombs in the making are certainly more destructive than all former weapons, but atomic energy also offers the most constructive energy ever known. "Civilisation" may be on trial, as Professor Toynbee said, but he knows better than anybody else that no civilisation is guaranteed everlasting life. In his *Study of History* he surveyed sixteen major and a number of minor ones; only two or three have survived the passage of time. Why should just Western civilisation escape demise?

But Toynbee himself does not prophesy the approaching doom of our world. According to parallels drawn with former civilisations, we are now in what he calls "the Times of Trouble," a peculiar stage which in past civilisations always preceded unification. The recurrent pattern is that out of a number of contending sovereign states there finally emerges, after a series of "world wars," one strong enough to subdue all others and establish "universal peace." An all-out communist victory, we may be sure, would abolish war and imperialism provided Moscow and Peking remained united, which is not likely to be the case.

Technically, the present division of the globe into some eighty sovereign states is absurd, but in terms of human feelings it is unavoidable. Nationalism, attachment to one's cultural tradition, fierce pride of independence, are too strong to be overcome by anything but sheer force, as the communist empire is witness. Hence the attempts at compromise which led to the forming of the League of Nations after the First and to the United Nations after the Second World War. The value of these experiments lies in the demonstration that peoples from all over the globe, speaking many languages and having diverse cultural backgrounds are capable of cooperation in all fields but one—in politics. Lacking executive means, either organisation therefore cannot solve a conflict among the major powers. Just as the League of Nations could not prevent the Second, so the United Nations (so-called) will be helpless to bar the Third World War. Nor, of course, will pacts, treaties, alliances and other diplomatic arrangements, including disarmament, even if genuine. The Old Adam has not changed.

The general proposition is that, if the peoples of the globe desire to live in universal peace, they must be willing to bring a corresponding sacrifice, to wit, a partial abrogation of their sovereignty in favour of a supergovernment armed with executive power and an international police force. Such a measure no country today is willing to accept.

The specific problem is that genuine co-existence requires the renunciation, as American diplomats put it, of war as an instrument of national policy. But a mere declaration to accept this rule of behaviour is worthless. The Americans enthusiastically greeted the Briand-Kellogg Pact (1928) which abolished war with a few strokes of the pen. Seven years later, seeing the rising tides of Italian, German

and Japanese imperialism, they thought they could at least prevent their own involvement by a Neutrality Law. What they overlooked was the simple fact that, though at least two parties are necessary to conclude peace, one suffices to make war. These lessons have been well learned. The U.S.A. desires peace and is itself non-imperialistic; but in view of the communist imperialism its diplomats require more than soft words of peaceful intentions. Having gotten rid of the habit of wishful thinking (now a characteristic of the ex-imperialists and Neutralists), the U.S.A. today is alone strong enough and fearless enough to call the bluff of communist imperialism when its leaders speak of peace and co-existence. It gets little thanks for it.

Universal peace without a supergovernment requires more than the renunciation of war; it equally requires the renunciation of any and all desire for world domination because so long as this desire or urge exists it will continually seek means for its gratification and thereby endanger the peace. Krushchev can have real co-existence, but then he and every communist leader everywhere must renounce all ideas of the future victory of Communism. They would have to renounce the use not only of all dirty water but also of water as such. They themselves would have to stop once for all their own imperialistic wheel.

Intelligent observers of the world today may ask themselves whether this is likely, whether it is humanly possible.

III

Another conceivable end of communist imperialism would be through the internal break-up of its empires. This would be a way so wonderfully easy for the outsider that the degree of its possibility must be carefully examined before it is reckoned with as a certainty. Here, Russia and China must be inspected separately because their degrees of vulnerability are not the same.

All indications point to the self-assurance of the Soviet government. Established close to forty years, it represents an absolutism differing in essence little from the Czars' who ruled over Russia for several centuries, and the communist methods only serve to make its grip stronger. Stalin's demise and Beria's execution have shown that the occasional removal of a leader (even of the supremo) in no way impairs the stability of the system. Furthermore, Russia contains enormous economic resources not the least of which is an abundance of arable land for its growing population. And the government is obviously determined, subject to the overriding demands of the state, the party and international politics, to improve the standard of living of the people. This is more than can be said of many Czarist regimes.

The situation in the satellites is of course different, may at times be precarious, but the quick suppression of the German workers' (workers!) uprising two years ago proved that a sporadic rebellion stands no chance against the triple re-inforced concrete of Russian power. Only a widespread rising in several satellites together would be formidable, and how that could be organised is a question to which the Russians, not the outsiders, have the answer which might even include minor concessions.

The resemblance of Russia and China is superficially considerable and it was impressive enough to convince the studious, hard-thinking young Mao Tze-tung that Lenin's Socialism was the proper remedy also for China's ills. Fundamentally, though, China and the Chinese are totally different. Used through centuries to extensive local self-government, the Chinese paid scant attention to the distant emperor, and if the officials were often corrupt, their fear of noisy rebellions acted as a check. For despite their proverbial patience the Chinese have many times rebelled

against their oppressors, including the emperors themselves. Furthermore, nature has not endowed China as lavishly as other countries of similar size, population growth has all but absorbed the existing arable land (only expensive modern means make this term elastic), and the impact of Free Trade, opium and warlords, not to mention the recurrent natural catastrophes, have pushed the majority of the people to and below a subsistence point so low that Westerners can barely conceive it. How in view of such a background and such living conditions, a dictatorial regime which sells foodstuffs abroad can be popular, only red-carpet visitors can explain. Lastly, the communist government is young in years which means that the majority of the populace all too vividly remembers the good old days of the corrupt Chiang government.

But because also the Chinese People's Government uses the triple re-inforced concrete that crushes anything the people might want to say, and peasants, bourgeoisie and workers into the bargain, only a widespread uprising promises success. The same question of how to organise it applies here. The Communists in Peking may not have the whole answer, but at their disposal are two partial replies, one of which they are already using openly while the other is being used underground. In view of the century-old economic hopelessness of the domestic situation both replies properly concern international relations. The Communists are intelligent.

The first reply, which surely must create at home at least some vicarious compensation for the rice shortage, is the widely advertised leadership of Peking's Communists as the only fellow Asiatics who completely threw off the White Man's shackles and, by holding him as hostage, throwing him into jail, and confiscating all his property, demonstrated for all the world to see that Asia's Bugbear of yesterday is only a straw man. (The Japanese did the same, but they lost the war). This ruthlessness, of which a gentleman like Pandit Nehru and a devout Buddhist like U Nu are utterly incapable, yet appeals to them because it, and it alone, satisfies their life-long grudge, which is directed as much against themselves as against the ex-imperialists whose standards they willy-nilly absorbed through their British education. That there are exceptions to this psychological rule, like Sir John Kotelawala, was as much a surprise to Chou En-lai as to the Westerners who, knowing only the surface, were quite unable to discriminate psychological motives.

The second and equally specific Chinese-Communist answer has been in preparation for some time and SEATO has been formed as a general counter-reply. The specific Chinese-communist goal is the Liberation of the relatively small, underpopulated countries of continental Southeast Asia whose excess of rice could at a stroke solve an important one of Peking's problems. In this particular instance political domination is, immediately, far less necessary than economic subservience, a state of affairs not unknown to the former British imperialism in whose halcyon days the head of the London house of the Rothschild family could be called the "uncrowned king of Brazil."

SEATO's imposing joint manoeuvres are besides the point. The leaders of the Chinese People's Republic have, at the present stage, not the least desire for a passage-at-arms. They are wholeheartedly peaceful. For Liberation they put their money on the inexhaustible supply of wishful thinkers, imbeciles and stooges of all nationalities through which peaceful penetration is steadily advanced. At the end, a little coup d'état à la Prague—strictly by natives—and what can the U.S.A. do?

Notably among the ex-imperialists the hope still lingers that by concessions the Peking regime might be "weaned"

JAPAN'S FIVE YEAR PLAN

The Japanese Government has announced the "General Outline of the Economic Plan for Fiscal 1956" which will mark the first year of "The Five Year Plan for Economic

from the Motherland of Socialism, it being taken for granted that then the Chinese tiger will act like a lamb. Not a single fact in the situation warrants this completely unproven assumption. Indeed, all evidence points in the direction of concessions being nothing more, or less, than free grist to the communist-imperialist mill. Concessions are the very opposite of the supposed means to end communist imperialism. Significantly, while all British opinion—now—condemns the Munich conference, on nearly every front page today one can see proposals which are just like those of the unfortunate Neville Chamberlain. This is so because the mentality of the ex-imperialists has not changed, cannot change any more. The halcyon days are over, and war, regardless of outcome, can only make matters worse. It sounds plausible to sacrifice Formosa for Hongkong, but it won't work—just as the sacrifice of Austria and German-speaking parts of Czechoslovakia did not work. Jardine, Elliott, Gutzlaff, Swettenham and countless other pioneers of British imperialism were not afraid of war. Why should the communists be?

IV

The break-up of the communist empires from within will just as little as its expected result, universal peace, come about by wishful thinking. But for timid and short-sighted people to face adverse facts is virtually impossible. This weakness, by all historical evidence, is another one of the Old Adam. The break-up of the communist empires may appear as eminently desirable, but it must not cost anything. Mentally, the ex-imperialists and the Neutralists with their newly won independence are people who, having eaten their cake, continue to want it. At the bottom of all their arguments lies their instinctive desire to survive, if only for a little while longer and never mind the price. The Communists, being resolute, exploit this attitude to the full by dangling the bait of co-existence. It is they who are always on the offensive.

Americans are not timid and they have learned rapidly from bitter experience, but as genuine anti-imperialists they have always been averse to interfering in the internal affairs of other countries. Gradually they have come to understand that the oppressed peoples require more than encouraging words. Yet, when an American spokesman merely says that the satellites ought to be free, a chorus of condemnation is heard from his allies that he is endangering the peace. Hence a policy which is always on the defensive.

A change can come only if American policy makers shake off their awe of the British Governess who always knows best and "dare go it alone." (What is so daring about it?). Whether then they will succeed in producing the break-up of at least one communist empire remains to be seen, but also if they do not the indirect method appears worth the risk. Admittedly, it may rouse the Communists, who have everything to lose, to all-out war, but what are the other choices? Either subjugation through peaceful penetration or total war at the Communists' own selection.

This is not a pleasant perspective. But those who dream that universal peace can be had for nothing are due for a bitter awakening, and the alarm bell will be rung by the Old Adam.

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Self-Support." The 1956-57 economic program—which starts from April 1—is aimed at achieving the first-year target of the long-range planning.

Keynote of the Plan: The "Five Year Plan for Economic Self-Support" is aimed at strengthening the foundation of the economy during the first half of the period. Emphasis has been laid on promoting the normalization of the economy and the stabilization of the industrial foundation. There has been a steady advance in the recent economic situation in all fields—improvement in the balance of international payments, stabilization of commodity prices and normalization of money market. However, Japan's industrial foundation is still weak as can be seen from the following facts: employment suffers from the pressures of an increasing productive age population; the capital structure of enterprises is not sufficiently stable; and the money rate is generally higher than the international level. Furthermore, the present situation in overseas markets does not warrant easy optimism regarding future of Japanese exports.

Major Goals of the Plan: Principal goals to be attained in fiscal 1956 are tabulated below.

	Unit	Estimated Achievement in fiscal 1955	Goal For Fiscal 1956
Total population	10,000 persons	8,926	9,017
Productive Age Population	"	6,101	6,235
Labor Force Population	"	4,177	4,265
Number Employed	"	4,110	4,200
Completely Unemployed	"	67	65
Total National Production	Y100-million	79,810	82,630
Distributed National Income	"	66,840	69,710
Private Capital Formation	"	12,570	13,660
Individual Consumption Expenditures	"	49,720	51,710
Consumption Level per Person	Fiscal 1954 100	106.1	109.3
Mining and Manufacturing Production Level	1934-36 Average: 100	182.8	196.0
Agricultural Forestry & Fishery Production Level	1950-52 Average: 100	121.4	114.2
Wholesale Prices	1952: 100*	97.8	97.8
CPI	1951: 100	116.4	116.4
International Settlements:			
Receipts	Y1-million	2,769	2,810
Exports	"	2,050	2,200
Invisible Exports	"	164	160
Foreign Off-shore Procurements	"	555	450
Payments	"	(2,626)	(2,635)
Imports	"	2,380	2,605
Invisible Imports	"	(2,045)	(2,220)
Balance	"	1,900	2,190
		418	415
		(244)	(175)
		389	205

Remarks: 1. Settlements in connection with dollar-pound swap and open account swing excess are excluded. 2. Figures in brackets are given on the assumption of no increase in deferred payments in dollar and pound usances, etc. 3. Actual increases in deferred payments as mentioned in (2) above are \$105,000,000 in fiscal 1954, \$145,000,000 in fiscal 1955 and \$30,000,000 for fiscal 1956.

(1) **Foreign Trade and Balance of Payments:** The export outlook is not exactly bright for fiscal 1956, since the rising tempo of overseas business is expected to slacken and adjustment of certain export items will be required. Positive measures will be taken, however, to increase exports by \$150,000,000—from \$2,050,000,000 in fiscal 1955 to \$2,200,000,000. Foreign off-shore procurements in Japan are expected to decline by \$100,000,000 from \$555,000,000 in fiscal 1955 to \$450,000,000 in fiscal 1956. As for imports, an increase of \$167,000,000 is anticipated in line with the expansion of the scale of economy. Imports amounting to \$2,123,000,000 in fiscal 1955 (the actual value of exchange paid, including the increase in deferred payments in usances and EXIM Cotton Credit) will be increased to \$2,290,000,000 in fiscal 1956 (the increase in terms of customs clearance amounts to \$150,000,000, namely, from \$2,550,000,000 in fiscal 1955 to \$2,700,000,000 scheduled for fiscal 1956). Accordingly, in the overall balance of payments including invisibles, the excess of receipts (actual excess excluding usances) will stand at \$175,000,000 in fiscal 1956, as against \$244,000,000 recorded in fiscal 1955.

(2) **Private Capital Formation:** The private capital formation in fiscal 1955 is expected to increase by 8.7 per cent over fiscal 1955. This increase has been computed in due consideration of the recent trend of the recovery of the desire for capital investments among enterprises and of the scheduled expansion in mining and manufacturing production.

(3) **Individual Consumption Expenditures:** Individual consumption expenditures in fiscal 1956 will mark an approximately four per cent increase over fiscal 1955. This calculation is based on the slackening rise of wages in urban districts and the expected decrease in the income of the farming population on the assumption that agricultural production will return to normal in fiscal 1956. The average consumption level per person will increase by three per cent over fiscal 1955.

(4) **Mining and Manufacturing Production:** In order to meet the scheduled increase in demand in fiscal 1956 in the field of exports, private capital formation and individual consumption, the mining and manufacturing production index will be set at 196.0 (1934-36 average: 100) which represents an increase of 7.2 per cent over fiscal 1955.

(5) **Agricultural, Forestry and Fishery Production:** The agricultural production index will be set at 113.1 (1950-52 average: 100) on the premise of normal weather; the forestry production index at 104.2 and the fishery production index at 131.0. The composite production index for the three divisions will be set at 114.2. The composite production index is expected to decline by approximately 5.9 per cent as compared with fiscal 1955 when bumper crops were recorded. This decline is inevitable even if various measures for increasing production are taken into account.

(6) **Employment:** It is estimated that the total population in fiscal 1956 will increase by 910,000 over fiscal 1955 and the population of the productive age group by 1,340,000. Out of this, 880,000 will represent an increase in the population of the labor force. Efforts will be made to create greater employment opportunities through the aforementioned increase in mining production and enlarged commercial services as a result of the expansion in the scale of the economy. Attempts will also be made to absorb the labor force by various measures as outlined hereinafter and thereby somewhat lessen the number of completely unemployed than in 1955.

(7) **National Income and Total National Production:** As a result of the foregoing program, the distributed na-

tional income in fiscal 1956 is expected to total approximately Y6,970,000,000,000—an increase of nearly four per cent over the estimate for fiscal 1955. On the other hand, the total national production, expected to total Y8,260,000,000, will also exceed by four per cent the corresponding total for fiscal 1955. This percentage is smaller than the annual rate of economic progress set at five per cent under the Five-Year Economic Plan. However, considering the fact that the economic expansion in fiscal 1955 was greater than usual thanks to an unprecedented increase in exports and a bumper crop, the level of national economy for fiscal 1956 will possibly exceed slightly the annual rate of economic development scheduled under the Five-Year Plan.

(8) **Commodity Prices:** For the purpose of achieving the said goal without a hitch, both wholesale and consumer prices in 1956 are to be maintained almost as low as the level of fiscal 1955.

Key Measures for the Execution of the Plan

(1) **Promotion of Exports:** Although the attainment of the \$2,200,000,000 export goal for fiscal 1956 appears not easy in light of the trend of business overseas, an increase at least to this extent is essential in order to expand the total national product. For this purpose, the cooperation of Government and private circles is vital, but the following measures for promoting exports will be given priority:

Externally, economic diplomacy will be propelled; international economic cooperation and overseas investments will be encouraged; and efforts will be made to seek a rational settlement of World War II reparations problems. Moreover, it will be necessary to devote efforts toward sustaining the export market while, at the same time, expanding exports. Especially in the United States and Canadian markets, where Japanese exports have made rapid strides in recent years, market surveys and commercial publicity activities will be conducted more than ever. By also establishing an orderly export marketing formula, friction with similar industries in these countries will be avoided and efforts made to maintain and develop these markets.

Internally, the rationalization of export enterprises, particularly the improvement of technique, will be sought. At the same time, by securing sources of raw materials needed to produce export commodities and by stabilizing their prices, costs will be lowered and quality improved. In this way, international competitive power will be strengthened.

At the same time, the system of exports and imports will be improved by means of proper enforcement of the Law for Export and Import Transactions. Also establishment of orderly trade practices will be sought through strengthening exporters' associations. By these means, efforts will be exerted to prevent excessive competition; to stabilize the prices of export goods; and to maintain their quality.

On the other hand, trade and exchange controls will be relaxed and improved by adoption of a system authorizing trading firms to retain foreign currencies and by the simplification of procedures for export and import as well as for exchange licenses. In order to stimulate plant exports and overseas investments, facilities for after-services, etc. will be expanded, funds for the Export-Import Bank will be secured and the insurance system for that purpose will be augmented.

In 1956, efforts will be continued to switch from the dollar area to the sterling and open-account areas as the source of imports. At the same time, improvement of trade with the Soviet Union and Communist China will be sought. Also, in order to improve the invisible trade balance, efforts

will be continued to replenish ocean-going bottoms, implement international air services and promote the tourist industry from the international angle.

(2) Strengthening of the Industrial Foundation: In order to strengthen the international competitive power of industries, further rationalization and modernization of equipment will be carried out. Greater productivity will be pursued through the improvement of technique, healthier management, popularization of scientific control methods, better labor efficiency and establishment of labor-management cooperation. For this purpose, the functions of the Japan Productivity Center will be strengthened. In due consideration of the future necessity of strengthening the industrial foundation with emphasis on heavy chemical production, the rational reorganization of key industries will be propelled. For the machine industry, in particular, the modernization of equipment by means of replacing outdated equipment will be encouraged. As for the textile industry, the restriction and conversion of equipment as well as the disposal of surplus equipment will be facilitated.

Moreover, in order to improve the degree of self-sufficiency, effective utilization of domestic resources will be sought. In this connection, efforts will be made to foster the growth of new industries relative to the advanced utilization of petro-chemicals, lumber and coal. The survey and development of oil resources will be also be accelerated. In addition, various new facilities related to industries, such as reservoirs, will be completed and better locations for mining and manufacturing industries will be sought.

In order to promote these plans, the necessary funds must be obtained. For this purpose, commercial capital will be replenished and its composition normalized through encouragement of internal reserves plus facilitation of the supply of private funds in line with the progress of financial normalization to help in the procurement of capital.

With reference to the food situation, the foundation will be strengthened for the improvement of self-sufficiency in the entire range of agricultural, dairy and marine production. Financial disbursement of state funds, loans and investments from the state treasury (including utilization of the counterpart fund for the purchase of surplus farm products from the United States) and effective use of World Bank loans will be made for land improvement and betterment of farm production. Emphasis will be given to those fields where production results are most conspicuous. To improve the quality of farm products, in particular, an agricultural improvement fund will be newly established with a view to encouraging autonomous reform of agricultural management on the part of farmers.

(3) Encouragement of Smaller Industries and Construction of New Farming Villages: Taking into consideration the importance of smaller industries in the national economy, their organization and stabilization will be pushed in order to improve their economic position through the enactment of related laws including enactment of a Department Store Law. In order to improve the quality of enterprises, smaller industries, especially those qualified for export production will be encouraged that given assistance in modernizing their equipment, improving technique and achieving a healthy management. A system to give them guidance in this connection will be set up. Statistical data concerning their actual situation will be compiled as a means toward seeking a basic settlement in the future.

As for financial facilities for smaller industries, the necessary funds will be secured and their smooth operation will be sought. Efforts will also be made to improve the credit insurance system for them. Composite measures to stabilize the economy of farming and fishing communities

and to improve their standard of living will be taken on the basis of their spontaneity and ingenuity. Such measures will include improvement of land finding good locations, diversification of management, improvement of technique and the use of common equipment and facilities.

(4) Enhancement of Scientific Know-How: In order to enable Japan's scientific know-how to draw level with the West in the shortest possible period, the completion and improvement of national research institutes and laboratories will be carried out. At the same time, scientific research works among private circles will be subsidized and measures will be taken to foster and strengthen private research organs. Experiment and research organs will be established to improve the quality of metal materials which has been lagging. Industrial application of new techniques will also be subsidized.

Concerning the utilization of atomic energy for peaceful purposes, measures will be pushed for prospecting radioactive mineral deposits, development of related basic sciences, research and development on the use of isotopes and for the construction of atomic reactors.

As for the agricultural, forestry and fisheries industries, a supreme council on technique will be instituted. Close coordination among research and experimental organs will be obtained and research and experimental works will be promoted.

(5) Promotion of Preservation and Development of National Lands: Afforestation and riparian improvement works will be carried out in accordance with a set program so as to lay the foundation for stabilization of industries and national livelihood. Emphasis will be laid on the improvement of roads in light of the increase in automobile transportation. For this purpose, a five-year plan will be prepared and, at the same time, a Road Public Corporation will be created.

As for forest resources, deforestation will be controlled to forestall denudation. Mountain paths will be opened to prevent the devastation of wooded lands and to develop forests in remote regions. Through the utilization of the counterpart fund for the purchase of surplus agricultural products from the United States, afforestation will be advanced. Moreover, public projects, such as afforestation and riparian improvement works, as well as improvement of roads, harbor facilities and fishing ports, will be undertaken on a priority basis after taking into consideration their effect on employment. For the areas designated for composite development, measures will be taken to insure full coordination of development projects.

A Hokkaido Development Finance Corporation will be established in order to promote the development of Hokkaido with due consideration for its special characteristics.

(6) Expansion of Opportunities for Employment: An increase in employment will be sought in fiscal 1956. This will be achieved not only through expansion of the general scale of economy but through road construction, improvement works, and agricultural development with introduced foreign capital. Special unemployment relief projects and measures to provide employment will also be undertaken. In carrying out these projects, improvements will be sought and preparations made to meet any unemployment situation that may arise. In order to rationalize the labor market and to improve the vocational eligibility of those seeking employment, thereby helping increase the opportunities for employment, assistance in finding employment, vocational training and education will be more widely carried out.

(7) Stabilization of National Livelihood: In order to contribute to the smooth implementation of the economic

plan for 1956, efforts will be made toward the integration of social security. For this purpose, social insurance, including health insurance and national health insurance, will be strengthened; livelihood protection, such as public subsidies will be improved; and national medical services, comprising measures to cope with tuberculosis, will be augmented. In light of the fact that the growing population is proving to be a pressure on national livelihood, family planning will be encouraged from the viewpoint of population policy.

As for housing, construction of 430,000 houses is the goal. At the same time, efforts will be exerted to adjust the scale of houses and improve their quality by the construction of fire-proof buildings, etc. Private funds will be mobilized to meet the financial requirements for this program, but special consideration will be given to keeping the rentals at a reasonable level. Measures will also be taken to increase the transportation capacity for districts.

(8) Maintenance of Balanced National Finance and Promotion of Normalization of Financing Operations: Balanced national finance will be maintained for the economic development based on the stability, while, at the same time, necessary measures will be taken to improve the financial standing of local autonomous entities. These latter measures will include simplification of the administrative structure, establishment of a fair wage system and adjustment of state subsidies. Its aims are to check the trend of increasing expenditures and secure new sources of revenue, together with the correction of maldistribution of revenue sources.

As to government loans and investments, acceptances of local bonds by state funds will be limited to those of public enterprise bonds and general public work bonds (including financial rehabilitation bonds), whose amortization is considered certain. By this means, local bonds floated under the general account budget will be reduced. Private funds will be solicited to the maximum extent possible for construction projects to be undertaken by the Government.

Loans and investments to private industries will be directed especially to those industries which, though essential to the national economy, cannot obtain the necessary funds by depending on private sources alone and also to those which must lighten their interest burdens. In this way, private funds will be utilized to the utmost. Demand and supply of funds—both state and private—will be balanced in an effort further to normalise finance and stabilize the value of the currency. Further, in order to reduce the burden of interest of loans on enterprises, efforts will be made to rationalize the management of banks and other financial institutions so as to lower the original cost of bankers' money.

(9) Stabilization of Commodity Prices: Stabilization of commodity prices is a prime requisite to the stabilization of the economy and the promotion of exports. For this purpose, the Government will do its utmost to stabilize the value of the currency and secure the adequate import of foodstuffs and raw materials to stabilize their supply and demand, and, at the same time, check rises in public utility charges.

CURRENT ECONOMIC DEVELOPMENTS IN JAPAN

Recent Trends

Stable economic development is continuing. The notable rise in commercial bank loans in the Nov.-Dec. '55 period was largely offset by relatively favorable repayments. Hence, money market was easy despite contraseasonal, large excess receipts over payments (rather dull) in Treasury accounts, and return-flow of Bank of Japan notes was favorable. This situation reflects sound developments (gradually rising) in consumption and investment. Demand for investment and consumption may be activated. This leads to the conclusion that financial normalization should be pushed so that the money market easing trend will not invite inflation. Bank of Japan took measures to expedite commercial bank reserves placed with the central bank; namely, strict adherence to the time limit on bill clearance payments and setting a term minimum of 2 days on discounts and advances to encourage own financing or reliance on the money market for short term funds and to discourage easy reliance on Bank of Japan for such fund needs.

To replenish foreign currency operating funds of trade firms as well as to activate their overseas transactions, Gov't decided to permit trade firms to hold foreign currencies, thereby marking a step forward in normalizing exchange transactions. This does not go so far as to exempt concentration of export proceeds in the Gov't.

The money market easing trend since mid-1955 has invited rate cuts led off by call rates and gradually extending to the short and long term fields. Long term rate cuts by the Industrial Bank and Long Term Credit Bank were conspicuous in January. The leading rate on all-bank loans dipped from 8.76% in June last year to 8.4%. More re-

cently the loan ratio at 8.03% is expanding. When however the decline in window dressings is taken into account, the real dip in commercial bank interest rate dip may be considered as having gone below actual figures.

Production

Industrial production for December '55 hit a new post-war peak of 198.0, (14.5% rise over Dec. '54). Production moved as follows when compared with previous month: metals, machinery, ceramics, lumber went sideways; food, textiles, printing, chemicals, rubber hides upped. The overall rise in December over previous month was 3.9%.

Despite the production-rise, producers inventory (processed goods) has been on downward trend since mid-1955 (15.5% dip in July-Dec.) reflecting brisk home-overseas demand. The seasonally influenced raw material inventory turned upward earlier than usual owing to the import-rise since mid-last year. However, the level is considered low when seen in relation to the steep rise in the production level. The raw material inventory index as of Dec.-end '55 was 6.7% below the corresponding period of the previous year. At the wholesale dealers level, the inventory trend was downward following the sharp push upward last June, although the level is still high. The trend was constantly upward since mid-1954 at the retail level.

Although inventories show mixed movements, the recently falling trend at the producer and wholesale levels is the result of brisk demand. The recent upping tendency in raw material inventory is attributed to the rise in makers incentive for inventory investment accompanying the expansion in production. The following contrast is noticed

between the inventory situation in the years 1954 and 1955. That is, during the deflationary year of 1954 the inventory squeeze by wholesalers caused inventories to rise at the producer level which in turn led to production dips. In contrast, in 1955, particularly in 2nd half, the chain reaction ran from active business investment in inventory to dip in producers inventory to expansion in production and eventual rise in producers inventory as raw materials and semi-finished items, indicating a business rising inventory movement in the most typical manner.

In view of the fact that the upsurge in production was accomplished in the face of dull investment activity, it stands to reason that increased production activity has pulled up the rate of industrial operation. What are the effects of operational rise? First, is the gain in corporate capital efficiency and in the turnover ratio of fixed assets of manufactures. This together with the recent dip in money rates has pulled down the cost per unit of goods and raised corporate profits. Second, is the eventual stimulus on investment incentives. Increase in plant and equipment investment is expected by end of this fiscal year in March for iron-steel, synthetic fibers, ammonium sulphate, oil refining, petro-chemical and shipping. In nearly all of these lines, the step-up in operations is seen as the major reason for inviting investment activity.

Trade & Exchange

The surplus in January foreign exchange accounts showed a dip, partly owing to seasonal factors (\$30 m. as compared with \$61 m. for Dec., \$49 m. for Nov. and the \$41 m. ave. for the previous year).

In January exports declined seasonally, imports remained high and receipts from the Security Forces fell. The favorable balance on visible trade was, squeezed narrowly.

Foreign Exchange Accounts
(In million of dollars)

	1954	1955	1955	1956
	Total	Total	Dec.	Jan.
Receipts	2,310	2,668	269	238
Export	1,533	1,954	198	181
Security Forces Exp. and Offshore				
Purchases	597	557	55	41
Payments	2,210	2,174	208	208
Import	1,962	1,848	177	179
Balance (Surplus)*	100	494	61	30
Visible Trade Bal.	(-) 429	106	21	2
Actual balance†	(-) 10	325	54	29

* Including both visible and invisible accounts.

† Deferred payments balance as usance etc. excluded.

The export dip was notable—40% in customs and 30% in letters of credit. The dip in leaders as textiles, iron-steel and ships was a near half according to customs figures. The fall as seen from letters of credit statistics covered cotton goods to U.S., canned goods to U.K., and iron-steel items to the Open a/c area.

Although the sharp slide downward in January as compared with the previous month is seen as largely seasonal and not a shift in basic trend, some anxiety is felt on future export developments judged from the big dip in letters of credit received. The fall in receipts from the Security Forces is considered seasonal.

Turning to imports, L/C openings slipped notably; customs and foreign exchange settlements lulled somewhat. Import transactions without letters of credit were quite

large in January which held up imports to the previous month's level. Customs statistics show that whereas import of rice and cotton dipped, items as iron ore, petroleum, wool and soy beans were favorable.

The terms of trade were unfavorable in 1954, but improved greatly in the following year. During 1954 exports were pushed by deflationary pressures at home causing export prices to dip sharply. In the following year, however, export prices recovered and import prices turned weakly steady.

The recent growth in the balance of payments surplus resulted from the favorable turn in the terms of trade. However, examination of price movements of individual commodities offer problems not suggested in the overall index. That is, during the past year or so only export prices of metals rose; all other export prices fell. Whereas in import prices there was an overall rise (excepting food and textile raw materials) due partly to the rise in freight rates. Hence, at the last year-end the terms of trade improved on metals in the export phase aided by the overseas boom which boosted metal prices. All others dipped. The drop in import prices of agricultural products such as foods and textile raw materials was due to softening of overseas prices on these items. Consequently, the terms of trade were rather on an unfavorable trend as regards industrial lines in general excluding metals, materials and textile industries.

Export-Import Prices and Terms of Trade
(July 1949-June 1950=100)

	Export	Import	(A)
	(A)	(B)	(B)
1953 Oct.-Dec. Ave. (a)	128.7	107.4	119.8
1954 " " " (b)	119.3	106.0	112.5
(b)/(a)	92.7	98.7	93.9
1955 Jan.-Mar. Ave.	122.0	107.5	113.5
Apr.-Jun. "	123.4	106.3	116.1
Jul.-Sept. "	123.7	106.7	115.9
Oct.-Dec. " (c)	124.9	105.6	118.3
(c)/(b)	104.7	99.6	105.2

However, the problem cannot be simply judged from the terms of trade factor because as regards export price dips some have been due to below cost unloadings while others were based on elevation of productivity leading to cost reduction.

There are other matters to be taken into account. Although it is true that export price dips through productivity rise plus stability in labor costs from lower prices on imported foods played a dominant role in export expansion, on the other hand, the price rising trend in imported raw materials cannot be ignored. Moreover, factors contributing to aggravation of the terms of trade such as cost-ignoring undersellings principally among small business products including foodstuffs, sewing machines, ceramics, toys, plywood, etc. must be watched.

Export-Import Price Indices of Principal Commodities
(1955 Oct.-Dec. Ave. compared with the same period of 1954)

Exports		Imports	
Food	82.9	Food	92.5
Textile goods	97.2	Textile goods	92.0
Metals & metal products ..	130.5	Minerals	120.4
Machine tools	97.3	Metals & metal products ..	103.0
Lumber & wood products ..	97.0	Lumber & wood products ..	107.7
Chemical goods	90.9	Animal & vegetable	
Ceramics	96.6	products	131.4
Miscellaneous	99.7	Oils & fats	105.5
General average	104.7	Chemical goods	117.3
		General average	99.6

ECONOMIC LETTER FROM TOKYO

The Economic Planning Board points out that economy has shown further expansion helped mainly by increased exports since last year and that business has been on the upward trend. In February, exports amounted to \$192 million, a high level next only to the post-war peak recorded in December last, and balance of payments showed a surplus of \$44 million. On the domestic scene, consumption level for Oct.-Dec., 1955, was 8.2% up as compared with the preceding year, while plant and equipment investments in January, as evidenced by orders for machinery, were doubled and inventory investments 10% up as compared with a year ago. Along with this, demand for funds also increased, although banks being adequately supplied with funds the tendency for monetary relaxation and easier money rates still continues. Reflecting the above situation, industrial production in January rose by 20% over a year ago and employment also increased. On the other hand, wholesale prices have been rising gradually and at February-end reverted to the level of February, 1954, whence they started to fall due to retrenchment policies. As for the immediate outlook the Board foresees no basic changes yet.

The Government set the foreign exchange budget for the first half of fiscal 1956 (Apr.-Sept., '56) at \$1,886 million, an increase of \$512 million over the like period last year. The salient features of the budget are: (1) Backed by favorable foreign currency position greater imports are contemplated to check price rise and also to expand production; (2) A step was taken toward freer imports in that some of the iron-ore and lumber imports were shifted to "automatic approval" imports. Of the total of \$1,886 million, \$1,543 million is meant for goods (including reserves of \$50 million) and \$343 million for invisibles including freight charges. It is expected that international accounts for first half fiscal 1956 will result in a surplus balance of \$63 million propped by good export trade.

Talks had been going on between Finance officials and interested parties for revising the terms of issuing new bonds in keeping with the easing of money. On March 30, agreement was reached to ease the terms of new issues as follows (present terms shown in parentheses), applicable from April 1:

	Industrial bonds	Financial coupon bonds
Nominal interest (% p.a.) ..	7.5 (8.0)	7 (7.5)
Issue price	Y99.50 (99.00)	Y98.50 (98.50)
Maturity (yrs.)	7 (7)	5 (5)
Yield to subscriber (% p.a.) ..	7.609 (8.225)	7.411 (7.918)

The market for public and corporation bonds re-opened April 2 in Tokyo and Osaka Security Exchanges. Bonds listed for dealings on the Tokyo Exchange include:

- Local government bonds Tokyo Municipal Corporation;
- Public corporation bonds National Railways; Telegraph and Telephone Corporation;
- Financial bonds Industrial bonds of Japan; Long-Term Credit Bank of Japan;
- Industrial bonds Yawata Seitetsu; Fuji Seitetsu; Tokyo Electric Power; Kansai Electric Power; Chubu Electric Power; Tokyo Gas.

Prices of stocks continued rising led by first-rate securities, and on March 27 the Dow-Jones average price on the Tokyo Security Exchange was again Y2.87 higher and reached Y447.12. This is a new high only next to the previous record of Y448.64 on October 3, 1953. The volume of tradings amounted to 34,100,000 shares which is the highest ever recorded since the opening of the Tokyo Security Exchange.

Because of the monetary relaxation and more plentiful supplies of funds of late there is a tendency for banks to

expand their loans without restraint and, especially, loans for non-essential and non-urgent businesses and purposes are on the increase. The Federation of Bankers Association, viewing the situation with concern, sent warning to all banks asking them to refrain from non-essential and non-urgent business financings for the time being, in spite of a dissenting opinion among some in the financial circles.

In his speech before the country's securities dealers Finance Minister Ichimada said that Japan's national economy has reached the self-supporting stage, but the prosperous state of business abroad was largely to be grateful for. Every precaution should therefore be taken to avert inflation. More efforts should be made for stabilizing currency value. At the same time, it is important for business enterprises to strengthen their competitive power by building up their own capital resources.

Foreign exchange accounts for fiscal 1955 ending March, 1956, showed receipts of \$2,839 million and payments of \$2,304 million, or a surplus balance of \$535 m., which marks a sharp increase of \$191 m. over the previous fiscal year. This improvement may be explained by the fact that exports, particularly of consumer goods, considerably increased to \$2,095 m. propped by good business in the U.S. and Western Europe, and also that receipts from the special procurements unexpectedly rose to \$569 m. With imports staying at \$1,956 m., fiscal 1955 witnessed for the first time since the end of War a favorable balance, if only small. Government's foreign exchange holdings at end-March reached \$1,508 m. Excluding from this frozen credits and deferred payments for imports through usance bills, actual foreign currency holdings come to \$900 m., which is regarded still inadequate by the Finance authorities.

Treasury receipts from and payments to the public in fiscal 1955 (Apr., '55—Mar., '56) ended in excess payments of Y276,800 million, an increase of Y86,800 m. over 1954. This is ascribable to the fact that the Foreign Exchange Fund recorded large excess outgo due to active exports, especially in the July-Sept. period, and that increased Government buying of rice at home caused unexpectedly large disbursements from the Food Control Special Account.

Both the Industrial Bank and the Long-term Credit Bank of Japan announced lowering of interest rates on new long-term loans made since April by 0.1 sen p.d. per Y100 (i.e. 0.365% p.a.). It means that the interest rate for new loans to electric power industry will be 2.5 sen p.d. (9.125% p.a.), while other loans will be at 2.6 sen basis (9.49% p.a.) as a rule, the actual rate to be decided in each case. As regards the electric power companies, even the rates on old loans are to be reduced to 2.6 sen p.d. uniformly (loans made before December last bear 2.8 sen p.d. or 10.22% interest), and this will have its effect felt on old loans to other industries too.

The long pending merger of Daiichi Bussan (capital: Y2,039 million) and Mitsui Bussan (capital: Y877 million), which was to be effected on the coming July 1 under the agreement reached August last year, has been brought to a standstill over the mode of procedure, each insisting on absorbing the other and making no concessions. Accordingly, even indefinite postponement of the merger is now anticipated. On the other hand, Mitsui Fudosan (Real Estate) capitalized at Y200 m. decided to absorb Mitsui Honsha, a liquidation company (capital: Y400 m.). They will proceed with the realization of the merger on October 1 when the new Mitsui Fudosan will come into existence capitalized at Y210 million.

REPORTS FROM CHINA

Fashion Shows

Peking recently conducted a fashion show displaying over 500 dresses mainly for women and children. Variations of the traditional Chinese gown were prominent. The high collar was rounded. Some gowns had simple round necklines and no collars. 74,000 people who visited the seven-day show were asked to indicate their preferences. Production has already started on selected styles for May Day. In a fashion show held in Shanghai, over 300 fashions for women and 120 styles for children were on display. Another show was held in Urumchi (Sinkiang) with more than 1,000 costumes of Han, Uighur, Kazakh and Russian styles. To impress visitors from Hongkong, authorities in Canton and Shanghai recently "encouraged" people there to wear colourful dresses instead of grey and blue tunics. However, cotton and silk piece goods in China are now far more expensive than those in Hongkong which were exported by Peking. Most people who went to Canton recently brought old dresses to their relatives and friends in China and returned with their suitcases empty. In Shanghai, cheap Japanese textiles are now very popular. The woman manager of a state-owned department store said that customers liked the colours and designs of these Japanese textiles which are also on sale in other major cities.

Foreign Trade

Exports amounting to 19 million yuan (about £2.8 million) were sold by firms in Canton to Hongkong merchants who went there recently. The trade agreement between China and Lebanon was recently ratified by Peking. Commenting on the purchase of British tractors, Peking stated that British manufacturers were worried about the drop in tractor exports and hoped to take advantage of the Chinese market. Peking also reported that 93,500 tons of chemical fertiliser reached Shanghai during the first 2 months this year from Belgium, Japan, the Netherlands, Britain and Austria. Meanwhile China also negotiated with Egypt, Sudan, Cambodia and Finland for more trade. The Chinese Commodity Exhibition held in Cairo last month displayed agricultural machines, lathes and other machine tools, electrical equipment, radio sets, textiles, food products, tea, handicraft articles, porcelains, ivory and other carvings, woodcuts, embroideries, rugs, carpets and other consumer goods. A Chinese handicraft exhibition was held recently in Tirana (Albania). 1,200 articles, including work in jade and ivory, porcelain, pottery and textiles were on display.

A Foreign Trade Arbitration Committee was recently set up in Peking to facilitate solution, by means of arbitration, of disputes in foreign trade.

Cultural Relations

In the past six years China sent 2,373 people (organized into 28 groups) to give performances in 27 countries. In return, 42 groups from 17 countries visited China, composed of 4,238 people. China is now a member of 12 international athletic organisations and will take part in the Olympic games in November this year. Many delegations of athletes visited China, including football teams from the Soviet Union, Hungary, Yugoslavia and Burma, volleyball teams from Rumania and India and a table tennis team from India.

Peking claimed that Chinese scientists, educationists, doctors, artists and journalists exchanged visits with colleagues abroad. Apart from the Soviet Union and people's democracies, scientists visited Japan, Southeast Asia and Europe. They attended eight international scientific con-

ferences. In addition, China exchanged students and professors with many countries.

Peking also boasted that 80 Chinese films in 2,100 copies were shown in the past six years in nearly 60 countries, including 12 countries in Central and South America. China dubbed 440 foreign films, including 10 Indian, 4 Japanese and 3 Italian. Up to December 1955, 12,155 books written abroad were translated and published in China in a total of 188,538,000 copies. These include over 10,017 from the Soviet Union, 620 from the people's democracies and 562 from the U.S.A. Peking Library exchanged publications with 138 organisations in 43 countries. The library of the Academy of Sciences of China exchanged publications with 472 organisations in 41 countries, including the U.S.A., the German Federal Republic, Belgium, the Philippines, the Union of South Africa and Portugal.

China sent to 40 countries material for 290 exhibitions reflecting the cultural life of the Chinese people. Various exhibitions from 15 countries were held in China. Musical scores, records, paintings, handicrafts and data on language were exchanged with many countries. By 1955 the academy of sciences exchanged seeds and catalogues of seeds with 160 organisations in 15 countries. During 1955 the academy sent abroad 600 scientific papers and more than 2,000 specimens. Since 1952 China exchanged rare animals with the Soviet Union, Czechoslovakia, Germany, Hungary, Poland and Japan. It received 269 and sent 1,674 animals.

The Association for Cultural Relations and other organisations have already sent or are about to send invitations to visit China to noted theatres in France, Italy and other countries. Peking also plans to invite well-known people in the world of culture and education in Australia and New Zealand. Peking further trumpeted that Chinese have always liked and respected the "American people" and added: "In the past few years though we have not enjoyed American hospitality, yet, as hospitable people, we are ready to continue our invitations to American friends to come and see China, so as to know the peaceful life we live and our aspirations."

Air Traffic

On April 11, a Chinese passenger plane landed at Mingaladon airport in Rangoon inaugurating direct air service between China and Burma. The opening of the Kunming-Mandalay-Rangoon flight also reestablished direct postal service between the two countries. The Burma-China air link was discontinued in 1949 when Communists took over in China. An agreement to reopen land and air routes between the two countries was reached late last year in Rangoon. In Peking, an agreement on civil air transport was signed between China and Vietnam. Under the agreement, a new air line from Canton to Hanoi via Nanning will be opened. In China, civil air lines have been opened between 27 big cities.

Industrial Growth

Power Plants: Construction of a thermo-power plant began last month in Shigatse (Tibet). 39 new hydrological stations are being built along the Ili, Tarim and other major rivers in Sinkiang. A total of 88 hydrological stations will be built along these rivers this year.

Trade unions and administrations of power plants throughout China will sign collective agreements under which administrations and trade unions will be held jointly responsible for ensuring the completion and over-fulfilment of state plans and for improving the working and living conditions of the workers.

Industrial Output: Production of key industries rose by 24.7% in the first quarter this year compared with the same period last year. The Machine Building industry topped the same period of 1955 by 77.7%. The output of power generators, electric motors and machine tools was nearly doubled. Production of wheel ploughs increased more than 36 fold. Increases registered by other industries were: petroleum 55.2%; heavy industry 26.1%; coal 25.6%; light industry 23.7%; textile 16.5%; and electric power 11.9%. Targets for following items were fulfilled or overfulfilled in the first quarter this year: electricity, coal, gasoline, pig iron, copper, nitric acid, caustic soda, soda ash, ammonium nitrate, cement, electric motors, machine tools, wheel ploughs, rubber tyres for motor cars, rubber shoes, paper, wheat flour, cigarettes, cotton yarn, cotton piece goods and gunny bags. Targets for crude oil, steel, rolled steel, sulphuric acid, ammonium sulphate, power generators, edible vegetable oil and sugar were not fulfilled. But all these products showed increases over last year.

1956 Targets: China plans to produce three times as many machine tools this year as in 1955. Total output of the machine-building industry will go up some 60%, with geological prospecting equipment and diesel engines high on the priority list. This year, China will start to build—for the first time—15,000-kilowatt turbine generators, rolling equipment, heavy trucks, tractors and high precision instruments.

China's output of cotton yarn and cloth this year will be up 30% from last year. Woollen fabrics will go up some 60%. All targets set for the textile industry under the original five-year plan will be reached within the current year, with the only exception of silk. Quality of textile products will be improved; more than 200 new patterns will be made available. Peking boasted that total production of the country's textile industry would leap 6½ fold by 1967. Per capita consumption of cotton cloth will then come to four times as much as last year. Output of silk and woollen textiles will increase 40 to 50 fold.

Peking announced recently that China would produce and export its first complete sets of automatic dyeing and printing equipment this year. Output and export of spinning and weaving machines will also increase considerably; this year 176% more looms will be turned out than last year. Spinning machinery with a total of 1½ million spindles and over 40,000 looms have been produced to equip 20 new cotton mills and replenish installations of many others.

China's output of automobile tyres is now 21 times that of 1949. Over 20 different kinds of rubber tyres are currently produced as against seven in 1949. This year 24 new varieties of rubber tyres for motor cars, motor cycles, tractors, self-dumping cars and bulldozers will be produced on trial basis. The present output of rubber shoes is double that of 1949. This year 94 new types of rubber goods will be added.

Shanghai factories making sewing machines will increase production by 70 per cent this year as compared with last. The production of new varieties, now appearing on the market, will reach 50,000 by year-end. The new varieties include electric sewing machines and those specially designed for stitching leather goods and rugs.

Thirty per cent more manufactured consumer goods than last year will be put on the home market. Towelling, rubber foot-wear, wool and stockings will increase by about half. A new type of light-weight bicycle will be produced. Greater varieties of bed sheets, handkerchiefs, glass-ware and shoes will be made available, and aluminium utensils turned out in quantity.

The total salt output this year is expected to exceed eight million tons, surpassing the production level originally set for 1957. China's salt output doubled in the five years ending 1955.

China's 1957 target for coal output is expected to be achieved this year—one year ahead of time. Output would reach 130 million tons by 1957. China's current annual coal output is over 93 million tons, treble the 1949 figure. In the last few years, coal pits with an aggregate capacity of 33 million tons had been built and over a quarter of them are already in operation. The capacity of China's coal industry will be expanded several fold in the next 12 years. Thirty-three coal pits now under construction are expected to be completed this year. In addition, work on 38 new pits will begin this year. Most of these pits will start production early in the second five-year plan period.

New Products: High precision electrical surgical knives are among medical instruments to be produced in China for the first time this year. The country's light industry plans to produce 1,300 new products on a trial basis, including various kinds of paper, rubber products, medicines and medical equipment and canned goods. Latest cardiographs and dental drills will be tried out and modern refrigerators and sleep therapy equipment made. New medicines to be manufactured include heprazine for schistosomiasis. A new medicine several times more effective than paludin will be available this year to combat malaria. Sulfamerazine, barbital and synthetic cow bezoar are on the list of test medical products. Trial production of our 900 kinds of rubber parts for motor vehicles, geological boring equipment, printing machines and medical apparatus is scheduled to begin this year. Other rubber products include new types of tyres for heavy-duty trucks and passenger cars, tractors and loading vans, and many new rubber-soled shoes based on Czechoslovak models.

The paper industry will add to its long list of products transparent tracing paper, condenser paper, matrix board and insulating paper board hitherto imported. Domestic-made matrix board is expected to be over 50 per cent cheaper than imported. Pulp for making rayon will be supplied by paper mills. Paper mills in Shanghai are now manufacturing asbestos, cigarette and drawing paper. Breweries and distilleries this year will provide dark beers of heavier alcoholic content, dry grape wines and new liqueurs. New brands of scented cigarettes and canned goods in erosion-proof tins for export are among the new products by the food industry. Also planned for mass production this year are new varieties of cosmetics.

China's first teletypewriter was recently made in Shanghai. It transmits 400 letters per minute. Small-scale production will soon begin when final tests are completed. A universal precision boring machine for cylinders for planes, steamships and trucks has been successfully turned out by a machine tool plant in Shenyang. In Canton, production of hearing aids begun recently.

The Anshan Iron and Steel Company is now producing several types of I-beam steel and channel steel for building large factories and bridges, heavy steel rails, and angle steel for ship building. A powerful transformer for 40-ton electric steel furnaces has been successfully made at the Shenyang Transformer Factory. A 3,200 K.V.A. transformer for non-ferrous metallurgy and electrolysis and a powerful transformer to transmit electricity from power stations to distant places have also been successfully produced.

New Factories: Part of the main workshops of China's first motor car plant in Changchun started trial production last month. This plant expects to turn out first motor cars on October 1st this year. In Peking, China's first glass instrument factory, designed by experts from Germany, is now under construction. Glass instruments which the factory will produce include beakers, flasks, test tubes and precision instruments. It will start production by the end of next year. A newly built bacterial fertiliser plant in Peking is now producing peanut and soya-bean nodule bacteria and azotogen. By the end of June the plant will produce a total of 484 tons of bacterial fertiliser; sufficient for 600,000

hectares of farm land. Four new phosphatic fertiliser factories are to be built in Szechwan this year. Output of fertiliser in Szechwan this year will be 2.7 times that for the past three years or sufficient for 360,000 hectares.

Construction of 9 cotton mills will be started this year. Some are to be completed before the end of 1957. An automatic printing and dyeing mill and an artificial fibre factory will also be built. Another 21 projects including cotton, silk and dyeing mills, an artificial fibre factory and a chemical synthetic fibre plant, are scheduled to go into construction next year. 28 big projects in the textile industry were completed in past three years. They include two textile machinery plants and a number of hemp mills. The total number of spindles in the country increased by 30%.

Seventeen machine-building plants are scheduled to be completed this year. These factories will turn out heavy and precision machine tools, power equipment, lorries, ships, electric wires and cables, electrical instruments and precision tools. Among the factories to be completed in the first half this year are the Harbin Electric Instrument Plant and the Shenyang Wire and Cable Factory.

A new mechanised meat-packing plant began production last month in Chengchow. Besides pork, this plant will process fats, intestinal casings, hog bristles and other by-products for export. The new plant is one of nine meat-packing plants provided for in the first five-year plan. Other plants under construction are located in Szechwan, Hunan, Hupeh, and Inner Mongolia.

Wage Scales: A general wage increase for all industrial and office workers, scientists, technicians, teachers and other wage-earners was approved by Peking last month. Wages for industrial workers rose 57.7% in 1952 compared with 1950. They rose again last year by 13.7%. At the present, different wage standards exist in enterprises of the same nature and there is too small a differential between wages of highly skilled and semi-skilled workers and between heavy and light labour. New scales will conform to the principle of "pay according to work". Unified wage standards will be established in enterprises of the same branch of industry. The wage differential will be increased between heavy and light labour, underground and surface work and work under high temperatures and under normal conditions. Higher rates will be given workers on piece work. Engineers and technicians will have a special pay scale. Higher wage rates will be given in key departments and regions in industrial construction to encourage people to join them. In coastal cities where wage standards are generally higher than elsewhere, workers will not have any wage reduction. On the contrary, wages will be raised there where conditions permit.

Agricultural Developments

Agricultural loans amounting to over 660 million yuan (about £98 million) were issued by the government up to March 20; one-third of this year's plan for agricultural loans. The loans include funds for capital construction and production of the agricultural producer cooperatives and collective farms, funds for poor peasants to join the agricultural producer cooperatives and for use by the mutual-aid teams and individual peasants. In return, Peking calls for overfulfilment in 1956 of the agricultural development programme of the first five-year plan. The directive issued by Peking points out that this is the first year in which cooperation in agriculture is predominant (over 90 per cent of the peasant households are in agricultural producer cooperatives) and that efficiency should be increased by the rational use of labour power after the peasants are organised, especially in the higher form of cooperation.

Grain production in Heilungkiang is expected to increase by nearly one million tons in two years. 750,000

hectares of wasteland in the province will be reclaimed this year, and 430 new villages built. Tractors will be used to open up 70 per cent of the wasteland this year. The province has a total of more than 6 million hectares of arable land which will be developed in 12 years.

Cotton Output: The 1955 to 1956 state cotton purchasing plan was fulfilled five months ahead of schedule. Up to the middle of March, 1,200,000 tons of cotton were purchased, and the purchasing plan fulfilled 100.04 per cent. This is one and a half times the amount purchased in 1954 to 1955.

Maize and Peanuts: Maize output in Shensi this year is expected to reach over 1,450,000 tons, or 60 per cent more than last year. Shensi's maize acreage amounts to more than 730,000 hectares, and ranks second among the province's food crops. China's maize acreage will be increased by 1,300,000 hectares this year as compared with last. China's biggest peanut-producing province of Shantung sold the state 430,000 tons of peanuts during the past seven months. This is 87% of the current purchasing plan due to end in August.

State Farms: Two teams of surveyors are now in the upper reaches of the Nyangchu River in Tibet surveying 6,600 hectares of wasteland in the basins of Nyangchu and Tsangpo rivers. Plans for several mechanised farms to be set up on 2,600 out of the 6,600 hectares of wasteland will be completed this year. By next spring, two mechanised farms will go into operation. Long staple cotton yielding fibres 37 to 40 millimetres in length are being planted on 800 hectares of land in Sinkiang by Army units there. Long staple cotton was first planted successfully in Sinkiang in 1954. Last year, 1.5 tons of cotton per hectare were harvested from 90 hectares of land there. A 24,000-hectare state farm is being constructed on coastal wasteland near the Pohai Bay. This is the fifth and the biggest so far built on reclaimed wasteland in the Pohai Bay area.

Education and Training

Peking announced recently that illiteracy is to be wiped out in China in about seven years. During the next three to five years, 95 per cent of the illiterate workers in factories, mines and enterprises will be taught to read and write. In from five to seven years illiteracy will be wiped out in the main, among rural inhabitants and city dwellers. The campaign will be chiefly directed at persons from 14 to 50 years old. The object of the campaign is to enable illiterates to learn about 1,500 characters which will make it possible for them to read simply written newspapers and magazines, keep simple accounts and write simple notes. Workers are to learn about 2,000 characters each. Literate persons, school teachers and students will be mobilised to take up teaching.

China will have nine times as many secondary school teachers in 1967 as today and three times as many teachers' colleges. Teachers' colleges already have 60,000 students this year, four times the 1949 number, but this rate of growth is insufficient. The rapid expansion of modern industry and cooperative farming requires a much greater flow of middle school graduates for training in all fields. This year, the forty existing teachers' colleges will admit 65,000 students. The Vice-Minister of Education estimated that at least 40,000 more secondary school teachers were required to cope with present needs alone. 170,000 will be enrolled this year in higher educational institutions throughout the country, exceeding the total figure provided in the first five-year plan by 40,000. Seven new engineering colleges will be set up this year. They include a ship-building college in Shanghai, a civil engineering college in Sian, a tele-communications engineering college in Chengtu and a surveying and draughting college in Wuhan. In addition, a number of universities, medical colleges and teachers' colleges will be established.

SIR ROBERT HO TUNG—HONGKONG'S GREATEST SON

Greatness may be measured by many yardsticks. Whatever the means whereby it may be estimated in a local community like that of Hongkong, the late Sir Robert Ho Tung will rank as the greatest of all who first saw the light in this Colony. The romantic growth from poverty to immense wealth, range of activity, and potent influence represented by his own life was in fact parallel to the rise of this now world-famous settlement from barren rock to hive of industry, finance, commerce, and shipping. Sir Robert was indeed the very epitome of the growth and development of Hongkong. The fact that they proceeded along parallel lines in time and substance heightens the reflection. The grace and dignity of his noble appearance—so reminiscent of the romantic Western concept of the legendary Chinese gentleman of the old school—may even be said to represent also the graces with which Nature has endowed the place which gave him birth.

When his spirit took wing all the world took note of it and paused awhile in its workaday activities to read in the newspapers details of his fabulous career. And when the body passed slowly along the streets of the city and halted a little while at all the major offices with which the great magnate and benefactor had been closely associated, the reverent crowds along the route paid their silent homage too. The Chinese people have ancient standards. They have their God of Wealth, and they have always paid riches due respect. But while many of them may have discussed, as is their way, just how many millions this most astute and extraordinary personage had amassed, uppermost in the minds of all was the fact that he built his fortune—all with it also the fortunes of Hongkong—by his own talents; and that he distributed it with a lavish and generous hand among all great and good causes. It is impossible to separate the two dominant characteristics—the power to acquire and the will to give away. To think and to speak of him was to link financier and philanthropist in irresistible association.

Hongkong has often been fortunate in its wealthy men, for nearly all of them returned much to the community in their benefactions. None can compare in princely largesse with the late Sir Robert, wealth in the all-embracing range of his gifts or in their aggregate. This is a tumultuous, revolutionary age, which assails and maligns the capitalist. Yet there has never been anything more creative than capital, without which indeed nothing can be built. The mere recital of the great number of valuable utility and other companies with which he was so prominently connected tells its own story of usefulness. Our own great Bank naturally heads that list, and other utilities and enterprises into which he poured, and from which he renewed, his substance and often gave his fine intelligence and business sense include docks, power and light, trams, land, ships, insurance, storage, cement and rope

manufacturing. Where would Hongkong be without all these things?

Facts and figures about his manifold benefactions, his interests, his honours, his almost regal tours and receptions in some of the great capitals of the world, still leave his own personality and appearance the mainspring of all reflections. He was intensely human and not least in his natural and even pleasing vanity. Yet though there are not many men who could boast with more entitlement, he was a man of very deep humility. He delighted in the recognition not only of the great but also of the poor and humble. No doubt he had his failings, as he certainly had his foibles. But this millionaire in possessions and millionaire in benefactions was what one calls, in the simplest way, a nice, kind man. He walked and talked with the great and yet never lost the common touch.

Most residents are proud of Hongkong. Hongkong has every reason to be intensely proud of its most successful son. He was, as a moving and worthy editorial tribute in the *S. C. Morning Post* put it, "in the full sense a self-made man. He was born poor and without advantage beyond his fine brain and his handsome and engaging presence . . . His business acumen was proverbial; but he was also enterprising, adventurous, and courageous, fortified by his innate philosophy and rising quietly superior to all his difficulties. His life must surely be an inspiration to all the Hongkong-born."

The late Sir Robert had a breadth of interest and of loyalties, too, which have their own force of example. He was proud and loyal as a British-born subject. He was rightly proud also as a Chinese, and no less so because he was born and lived in an age of temporary decline, when China was racked by civil wars and the indignities of Tuchunism. He was ready to do all he could, as mediator and as counsellor, to help warring factions make peace. He was, as "*The Times*" of London said in its obituary notice, representative of those happier times when British merchants and Chinese, working in harmonious partnership, brought prosperity and riches to Hongkong and jointly laid the foundations of great enterprises. "Ho Tung was all that was best in a Chinese; thrifty, honest, and persevering, he was yet generous, entirely without arrogance and always ready to take a worthwhile business risk. Conservative as regards all that was best in Chinese customs, he nevertheless put the whole weight of his influence on the side of reform, where reform was needed. His travels abroad—his dignified figure clad in the silken robes of a Chinese gentleman of the old school, was a familiar figure in many of the world's capitals—gave him a broad outlook on men and things and a good understanding of Western methods and thoughts." The notice recalled also how once in 1922, by a combination of arbitration and philanthropy he saved the Colony from a general strike which threatened it with total paralysis.

HONGKONG'S TRADE AND INDUSTRY IN 1955

REPORT BY THE HONGKONG GENERAL CHAMBER OF COMMERCE

(PART TWO)

HONGKONG INDUSTRY

The ingenuity and resource of Hongkong's Manufacturers and the Merchants who help them to market their goods has once more than amply demonstrated during the year and the products of local industry have taken an even greater part in helping to balance the local economy.

Cotton Textiles: A variety of unhappy circumstances, both political and economic, adversely affected trading during the first half of the year and it fell well below the level of the corresponding period in 1954. Among other disturbing factors were the fluctuations in the price of raw cotton, to which reference is made below, and intense competition from India and Japan which made necessary the closest attention to price levels. From June, however, there was a remarkable recovery in demand for textile goods. Order-books were well filled for both current and forward deliveries and exports increased in volume. Marginal profits reached a more satisfactory level and the improved conditions compensated somewhat for the earlier sluggish period. In the industry's various South-east Asian markets conditions were far from settled. In Korea the extremely active demand for cotton and staple fibre yarns which was experienced after the cessation of hostilities had largely subsided and the position was worsened by currency difficulties and by the removal of the embargo on the importation of Japanese textiles. Exchange difficulties, and their attendant controls, also affected trade with Indonesia and the position was further aggravated by the substantial increase imposed in connection with pre-payments required in the issue of Exchange Permits for imports. In this market the trend towards placing the country's import trade in the hands of Indonesian nationals was advanced by the announcement, during October, that steps to transfer sole agencies, not already held by Indonesians, should be taken without delay, and it is understood that there has already been some enforcement in this respect. The triangular arrangement with Pakistan, under American Aid, for the supply of cotton weaving and hosiery yarns from Hongkong in exchange for American raw cotton did not, in view of the protracted negotiations and delays, work out as well as some had expected, there being a substantial shortfall in the volume of trade carried out, as compared with that originally planned. Pakistan's own textile industry has staged a spectacular development over the last five years and it now has a total of more than 1.2 million working spindles. Prices of domestic yarn registered sharp falls during the season 1954/1955 and during the latter year some invasion was made of the Hongkong market, with certain brands of Pakistan yarn of 20s counts selling at as much as \$200/\$220 per bale below the prices of corresponding Hongkong products. The reduction in exports to Indochina is understandable in the light of events during the year. Some revival occurred in the export of grey and coloured piece goods to the Australian and African markets, but the brightest spot during the year was the substantial volume of orders from the United Kingdom for yarns and piece goods. Over all, Members con-

nected with this industry regard the year's working, though smaller in volume than in 1954, as having been fairly satisfactory, and the prospect for 1956, so far as the order-books are concerned, remains encouraging with some promise of continuing demand.

Yarns: The Colony's cotton spinning industry, now in its ninth year of existence, continued to expand in 1955 and at the end of the year, with two newly opened mills bringing the totals to 17, there were 303,776 spindles in operation with a monthly capacity based on 20s counts of very nearly 11 million pounds, showing an increase of more than 20,000 spindles during the year. Exports during the year amounted to nearly 32½ million pounds valued at more than \$100 millions, the principal buyers being Indonesia, Indochina, Thailand, the United Kingdom, South Korea, Burma, the Philippines and Pakistan. F.O.B. prices for 20s count yarn ranged from \$1200 per 400lbs. bale in January down to \$1100 in July/August, back to \$1200 in November and closed at \$1180 in December.

Piece goods: Although there was a reduction in the number of factories in operation, in general the weaving section of the industry continued to consolidate its position, particularly those mills operating power looms. Exports amounted to over \$182 millions which figure does not take into account the large volume of locally woven cloth used in the manufacture of made-up garments for export. Principal buying countries were the United Kingdom, Indonesia, Malaya, South Africa, the Philippines and Australia, whilst substantial shipments were also made to South Korea and to various African countries. Although prices for piece goods do not fall into such a uniform pattern as those for yarns, some indication of movements during the year can be obtained from the F.O.B. prices of 36" inch grey sheeting 60x60 20s/20 yarns, which opened the year at \$40.50 per piece of 40 yards, rose to \$42 in May, dropped to \$38 in September and recovered to \$40 at the end of the year.

Raw Cotton Supplies: Prices of raw cotton moved around considerably during the year and buyers found them in large measure unpredictable. New York futures in January stood at 34.65 cents per lb. They had sagged to 32.99 by the second part of April, recovered early in May to 34.10 and closed the year at 33.87 cents per lb. An explanation for these movements probably lies in the amount by which world production of raw cotton, encouraged by irrigation projects and improved breeding and fertilization technique, has for the past several years been in excess of consumption. Carry-over stocks are now estimated to equal world consumption for a whole year. Hongkong imported, during 1955, a total of 785,672 cwts. of cotton, of which Pakistan supplied 217,859 cwts., India 183,876 cwts., Uganda 121,002 cwts and Brazil 88,827 cwts.

Labour: In the spinning section of the industry operations were continued throughout the year on a three shift basis, providing regular employment for nearly 12,500 workers. Although, as noted above, there was a reduction in the number of registered weaving factories and in the numbers employed by them, it should be borne in mind that there are large numbers of factories which are not required to register although they continue, considered as a whole, to employ large numbers of workers on productive work. There were no serious differences between employers and employees during the year, and those responsible for labour relations are to be congratulated on the successful outcome of their labours.

Hongkong had sustained a great and irreparable loss. We shall not see his like again. We join the man in the street who paid his tribute so abundantly yesterday in paying this honour to the memory of a great man and in offering to the relatives our sincere sympathy in their grievous loss.

Development: In addition to the increase in the number of spindles the number of combing machines has been added to, as well as a large number being replaced by newer types aimed at reducing costs of production. In the Dyeing and Finishing Section, several factories have extended their premises to include in them a complete range of modern bleaching, dyeing and finishing equipment including, in one case, a six-colour printing machine.

Hongkong Technical College: The industry, as a whole, is extremely interested in the Government's plans, in which Members have been given an opportunity to take part on the finance side, for building a new Technical College in Kowloon, as the need for training up new technicians of all types for the industry is becoming increasingly evident. The new College is to embrace a Textiles Section and Members feel confident that the research carried out in it and the practical and theoretical training given, will make an important contribution in the building up of both volume and quality of production and will further strengthen the industry and, through it, the economy of the Colony.

Gloves: In last year's Report, it was noted that the export figures for gloves of all types had increased by more than 100 per cent in comparison with 1953 and it is very satisfactory from the Colony's point of view to be able, once more, to record a 100 per cent increase in the export figures for this commodity. The largest increase has been in shipments to the United Kingdom which, during 1955, bought over 1½ million dozen pairs, at a value of more than \$26½ millions. Exports to the United States of America trebled to a value of more than \$3½ millions. Exports to Australia increased by more than 50 per cent and, for the first time, Canada became a million dollar market. It is interesting to record that in the United States of America where the Hongkong product does not enjoy any preferential tariff treatment, it has to compete directly with the Japanese product which enjoys the benefit of lower freight rates. As in the United Kingdom, efforts were made by American manufacturers to have the tariff rate on imported gloves raised and, during the year, interested Member Firms, acting through the Chamber, instructed Counsel to act on their behalf at the Tariff Commission hearing with successful results.

The figures reveal once more the adaptability of Hongkong businessmen and manufacturers generally, and the production figures are the result, not so much of an increase in the number of factories as an increase in the mechanisation of existing factories and an improvement in the technique of the workers as a result of a further year's experience. As had to be expected in a new and rapidly expanding industry, some complaints were received regarding poor workmanship but these were satisfactorily settled and, with the strenuous efforts made by shippers and manufacturers to improve manufacturing technique and inspection arrangements, the number of complaints has substantially reduced and the industry looks forward to a bright future.

Made-up Garments: Exports of made-up garments remained at approximately the same value as in 1954, but the values for 1955 represent, in fact, a larger volume of goods due to a continuation of price reductions. There has been increasing competition from Japan and this is reflected particularly under the heading of Cotton Singlets, where factories are finding it more and more difficult to compete in markets where there is no preference in duties for Hongkong made products. In the shirt trade the export figures are slightly higher in value than in the previous year, despite restrictions in several markets. Nylon garments registered a big increase, the fabric being chiefly imported from Japan and U.S.A., whilst there is an increasing market for suits, sports coats, etc., tailored in Hongkong, particularly in U.S.A. Embroidered ladies underwear figures also showed a slight increase over the previous year, but in this field

China Mainland products have re-entered foreign markets and offer severe competition.

Rubber and Canvas Footwear: The Colony's rubber and canvas footwear industry has gone from strength to strength during the year and shippers and manufacturers alike were well pleased with over-all results. Although one or two new factories have been brought into operation the majority of the trade has remained in the hands of the established manufacturers who have been able to iron out various small manufacturing difficulties, so that trade with the Colony's traditional markets for this commodity has been able to develop smoothly without, despite keen competition, any notable increase in disputes arising out of quality claims.

Enamelware: From the trade figures it might appear that the Colony's enamelware industry had suffered a slight set-back during the year, shipments being valued at \$56.4 millions, as compared with \$61.3 millions. In fact one or two factories did close during the year, and there were a smaller number of furnaces in operation at the end of December than there had been in January. However, the established manufacturers are not unduly alarmed and a contributory factor in the reduction of the sales figures has been a small reduction in prices. The African continent maintained its position as the largest buying area, although shipments to the Belgian Congo were seriously affected by the ban imposed by the Authorities there and only lifted in October. Sales to British West Africa were well maintained and a useful increase in sales was made to Malaya which bought over \$5 millions worth. Shipments to Central and South America totalled much the same as in 1954 although there was a falling off in demand from Central America which was nearly compensated by an increase in sales to various South American countries. Sales to Burma, Indonesia and Thailand fell away rather sharply but there was useful development in the Middle and Near East and in South Africa. Several factories experimented with new and improved techniques during the year and had their new products on show at the Chinese Manufacturers' Union Annual Exhibition. These included several examples of very high grade enamelware, looking so like porcelain that many of the visiting public had to check for themselves that they were, in fact, enamelware. Prices being competitive the industry is now making an attempt at entering the really high quality market.

Aluminiumware: The decrease in sales of enamelware was virtually completely replaced by an increase in exports of aluminiumware, total shipments being valued at \$9.7 millions, as compared with \$4.5 millions in 1954. The most notable increased purchases were made by Malaya and by Indochina which, from having bought none in 1954, became the Colony's biggest buyer in 1955, with a total value of \$3.3 millions.

Hurricane Etc. Lanterns: Another industry which considerably increased its production and shipments during 1955 was the Colony's hurricane and pressure lantern trade, total exports being valued at \$13.1 millions, as compared with \$9.3 millions. Very satisfactory increases in trade were recorded with Indochina, various African countries, the Middle and Near East and with Ceylon. There was a slight falling off in demand from Malaya and Indonesia, but this may only reflect carry-over at the end of the year.

Vacuum Flasks: Shippers of vacuum flasks report another satisfactory year with shipments increasing in value by \$1.5 million to \$7.7 millions. This increase has been brought about by development of existing markets, traditionally in Malaya, Australia, Thailand, Indochina and the Philippines and, although, efforts have been made to introduce the Hongkong flask into various European countries, they have not yet met with much success owing to the long haul and consequent high transportation charges. Manu-

facturers have continued to improve their products along existing lines and it is hoped that with improved manufacturing technique they will be able to get their prices round to levels which will enable development of new and more distant markets.

Needles, Nails and Screws: The Colony's needles, nails and screw industry has not had a particularly happy year as, although manufacturers of household needles have been just about able to hold their position, they have been very seriously challenged in the wire nails field by the production of Mainland China which has made, through Hongkong, very large shipments, particularly to Thailand. Competition from Japan has also been encountered in smaller measure. However, strenuous efforts have been made by local manufacturers and, with some success having been achieved in the prevention of substitution of these goods, the industry looks forward to possibly brighter prospects in 1956.

Torch Cases: Sales of torch cases in 1955 totalled nearly 49½ million dollars in value, and shipments increased by just over 500,000 dozen. Once again the leading buyers were the United States of America and India, with substantial shipments being made to West Africa, the United Kingdom, Central America, Thailand, Malaya, and various African and South American countries. It can safely be said that Hongkong has maintained its position in this trade and is now recognised as one of the largest manufacturing centres for the product. Quality standards have been well maintained and in this connection Hongkong has become so well established that two very prominent manufacturers with world wide reputations are having their goods made here under their own brands. It is also interesting to note that overseas buyers are increasingly looking to Hongkong for development in kindred lines. For example, during the past year, among several other new lines there have been developed an electric horn for a bicycle and a new, and completely modern, battery cycle lamp. There has been a marked increase in the sales of three colour (red, white, green) torch cases, and four factories have been manufacturing one type under licence on behalf of a German Manufacturer. Sales of this type have amounted to about 15,000 dozen per month and during recent months several factories have started making other satisfactory types on similar lines. Although the brass case has maintained its popularity in certain markets the tin and aluminium cases are becoming predominant, representing as they do extremely good value for money.

Torch Batteries: 1955 has also seen an appreciable increase in the numbers and value of shipments of torch batteries; total shipments have been over 5,000 dozens at a gross value of more than 10½ million dollars compared with nearly 4,000 dozens valued at just over 8½ million dollars in 1954. The principal markets have been Indonesia, Malaya, Indochina, Thailand and various African countries which have between them taken three quarters of the trade. There have been one or two cases of infringement of trade marks in this trade, but these seem to have been satisfactorily dealt with and, it is hoped, that there will be no further trouble of this nature.

Torch Bulbs: Value of shipments of torch bulbs has also shown an appreciable increase during the year, shipments totalling 5.8 million dollars worth as compared with 4.2 million dollars worth in 1954. The principal markets have been in South East Asia, although substantial shipments were made to the United Kingdom and The Netherlands. This increased trade is particularly encouraging to those Members interested in it, reflecting as it does the results of the efforts which have been made to improve the standard of the Hongkong product.

Plasticware: The variety of plastic articles manufactured in Hongkong has shown continued expansion during the year. An important introduction to the industry was

the process of dielectric welding in its application to P.V.C. sheeting, which has given a fillip to the manufacture of plastic raincoats, curtains, handbags etc., in addition to many imitation leather articles, including footwear. The application of plastics to rattanware furniture, baskets and other articles in the form of plastic coating prior to weaving the rattan, has been an interesting feature of the trade, resulting in an aesthetically pleasing, washable and more durable product. Many varieties of pliant polythene containers are now being produced, which have the merit of being practically unbreakable, and the popularity of these articles is reflected in a growing overseas demand. There was very keen competition in the standard manufactured plastic items such as toys, combs etc., resulting in drastic price cutting. Some leading importers in the United Kingdom complained that after placing their orders for the Christmas trade, prices of plastic toys were slashed by as much as 40 per cent. The industry has expanded very rapidly and a large number of new factories, the majority of them very small units, have been opened. There are indications that, if quality standards and price levels are not to be completely spoiled some rationalisation is necessary.

Rattanware Furniture: Shipments of rattan furniture during 1955 were just under 25 per cent higher in value than in 1954, the actual figures being just under 20½ million dollars worth as compared with 15½ million dollars worth. Much of this increase is, undoubtedly, accounted for by the changing fashion with its increasing popularity for the shell chair, which is replacing the tub chair, for so many years the staple rattan furniture export. The shell chair is, by its nature, a more expensive product and its appearance on the market has tended to steady prices at a higher level, so that the seasonal price fluctuations throughout 1955 have not been so marked as in earlier years. An additional point in favour of the shell chair is that it is of the type increasingly being used as interior, rather than verandah and garden furniture, and this is tending to steady the demand down to an all year round rather than a summer trade. Its emergence has led to an increase in the demand for other articles of furniture similarly styled, and Hongkong Manufacturers have not been slow to grasp the possibilities now existing. The tub chair is still being sold in appreciable quantities and the only difficulty in this trade has been encountered where either buyers or sellers have been price paring and this has led to occasional cases of lowering of quality standards. The pattern of trade in this commodity has largely followed that of earlier years, the United States of America being the largest buyer taking 16½ million dollars worth of the total. Shipments to Australia have increased by about 10 per cent in value and Japan has, for the first time, made substantial purchases. The other markets in Canada, Malaya, New Zealand and United States Oceania have followed the pattern of 1954.

Preserved Ginger: Total exports during the year amounted to approximately 2,600 tons valued at about \$7 millions. Prices remained much the same as those in 1954 until September, but when prices of raw ginger were lowered by almost 20 per cent sale prices of Hongkong shippers were reduced to conform and were cut by about 16 per cent and shippers compensated their buyers for the difference in prices on orders not yet shipped and on shipments which had not yet reached their destinations. For a variety of reasons, including the objective of increasing the demand through lowered prices, the Ginger Syndicate decided at the end of October to free its Member Factories from price control and again the Syndicate made certain compensation to its buyers in view of the further drop in prices. Prices for the past two years have generally been considered to be too high and complaints have been received from both consumers and buyers abroad. The recent heavy fall in prices has specially benefited consumers and it has already been

REVIEW BY THE CHAIRMAN OF THE HONGKONG GENERAL CHAMBER OF COMMERCE

Despite some improvement in the overall trade figures which, by values, have gone up nearly 7 per cent we cannot see any grounds for complacency. Imports rose by 8.2 per cent and Exports by 4.8 per cent, thus further widening the gap, so that we have a record visible adverse balance of trade amounting to just under \$1,185 millions. Some contend that, on account of the peculiar situation of Hongkong, too much stress should not be laid on a subtraction sum of this nature. We have to import the bulk of our foodstuffs and the figure for 1955 has been put at \$685 millions in net imports under this heading; and retained building materials have been assessed at \$200 millions. Of the latter figure a substantial percentage will doubtless go into industrial development and so help to boost export figures in future. On the credit side it is always difficult to assess the value of the many services which the Colony renders in the way of banking, shipping, insurance etc. Moreover, remittances are still made to Hongkong and in other ways the Colony has attracted funds. We also benefit from the spending power of visitors and temporary residents, both service and civilian, and it is hoped that the revived interest in the tourist trade may lead to expansion in this direction. One aspect of this is a substantial tailoring and Mail Order business which is not reflected in export statistics. It is, of course, satisfactory that the invisible exports are sufficient to keep the economy of the Colony in as favourable a state as obtains at present, but I am sure that all interested would prefer to see a closing of the trade gap rather than the widening trend which seems to continue.

Tonnages of cargo moved have increased by rather higher margins than have those of values, Imports being up by 14½ per cent and Exports by 11.8 per cent, showing a reduction in values per ton of \$52.5 and \$101.6 respectively.

From the merchanting point of view, the trend of our trade with China causes the greatest concern. Our imports from China have run at a remarkably steady level over the last six years, the lowest year being 1954 with a total of \$691 millions, the highest being 1955 with \$897 millions. The four preceding years were in millions, \$857, \$865, \$830 and \$857. As our imports are largely foodstuffs, this steadiness is understandable. However, when we look at the export graph, we get a vastly different picture. To emphasise the extremely serious shrinkage in this trade, comparisons are as follows. In 1951, which was the best of the preceding four years, the figures for the first half year (in millions of \$) were 1,151, against 122 for the corresponding period of 1955; whereas in the two second halves of these years, the figures were 452 and 59 respectively. The last figure must surely be a record low and I find little consolation in one aspect—this further demonstration of the effect of the strict controls on the Colony's Export Trade.

The conclusion can only be that China—apart from having to look elsewhere for certain categories of goods—is looking elsewhere for goods which Hongkong could supply to her now. We are evidently not regarded as a trading partner offering a range which makes us a worthwhile market, despite all the advantages of proximity, services and experience. I need hardly remind you that, due to discrepancies between the embargo lists for Russia and the

Eastern European Countries, on the one hand, and China on the other, China can obtain certain western goods via Russia which we are forbidden to send her from Hongkong.

I was glad to see that Her Majesty's Government has recently been taking up the cudgels and I await with interest (and some impatience) the outcome of the promised reconsideration of the COCOM schedules. While it would be wrong to expect any easing of existing trade restrictions to lead to an increase of boom proportions in the Colony's trade, nevertheless such a move would bring some much needed benefit to the Colony's entrepot business. I should perhaps add that to prevent any misunderstanding our adherence to the laid down policy is in no way weakening—major sufferers though we may be—but there is no harm in repeating that we fail to see what logical justification there can be in different embargo lists for two such adjoining countries as Russia and China who trade freely together. I referred to the embargo in my Speech a year ago and all I can say now is that we are a year worse off. It is not only a loss of profits in 1955; the sad prospect is the loss of our natural market for a period which, at best, can only be measured by the life-time of the machinery which China is acquiring elsewhere.

It is pleasant to be able to record that the United Kingdom has, after a long interval, stepped back into the position of being the Colony's second largest trading partner and that this has been achieved by a very welcome increase in exports to that market as well as a not quite so large increase in purchases from the mother country. In view of the furore that there has been, from time to time, about specific items in our export trade, it is worth recording that the total balance of trade in the United Kingdom's favour is still approximately two to one.

Trade with the United States of America also showed a welcome increase although here one would have liked to see a greater rise in the value of our exports. However, an additional 25½ million dollars worth of exports or more than 35 per cent of the 1954 total is most encouraging, particularly when one bears in mind America's stringent regulations against imports of China origin goods. West Germany also purchased more of our goods although there was a net decrease in our total trade with her.

With our Far Eastern trading partners there were notable increases in our trade with Japan and with Thailand although in each case the unfavourable balance of trade gap widened, while with Indonesia and South Korea there were net reductions. In the case of Korea our imports dwindled to negligible proportions and with Indonesia there was a 14 to 16 per cent decrease on both sides of the sheet.

Turning for a few moments to the Colony's internal situation it is worthy of note that the cost of living, as measured by the Retail Price Index, has remained remarkably steady, there being little change in the opening and closing levels of 116 and 115 (on a basis of 1947 equals 100) and the widest adverse variation being the rise to 118 in August, traditionally the most expensive period of the year owing to the difficulty of obtaining fresh food supplies. It is interesting, in this connection, to note that this steadiness in the Retail Price Index is nearly matched in the Annual Clearing House figures which show a slight increase of \$521 millions, or nearly 4 per cent on the previous year's total.

We all derived considerable pleasure from the announcement by The Hon. Financial Secretary that, once again, he had produced a surplus and, on this occasion, after having budgetted for a deficit. With about a fifth of the Colony's revenue deriving from tax raised under the pro-

seen that buyers abroad are increasing their purchases. No Japanese Ginger was used in 1955 as there was plenty available from South China with the price of raw ginger being around \$50 per picul against \$67 in the previous year.

visions of the Inland Revenue Ordinance it is reassuring to find that this has been possible in the taxation year when the results of the poor overall trading conditions in 1954 would be likely to have their fullest effect. I understand that collection arrears have now been virtually eliminated and one can therefore assume that next year will see the results of a normal year's trading results reflected in collection figures. With trade having taken a slight up swing recently it is reasonable to believe that the Colony's income will be well maintained.

The Government's capital expenditure programme continues to provide, incidentally, valuable support of the labour market and will, it is hoped, long continue to do so, provided it does not overstrain the Colony's resources. The Financial Secretary states in his Budget Speech that if capital expenditure could not be met out of current revenue, recourse will have to be made to reserves, or to borrowing or to increased taxation, in that order of priority.

As regards new construction, while I am a wholehearted supporter of the "while you are building, build it good" school of thought, I feel quite strongly that in view of pressing needs for the provision of more facilities on the ground, for example in the Health and Education fields, the programme should be guided by absolute necessity only and that due regard must be paid to the economy in unit costs which derives from simplicity or even austerity.

Up to date, there has been but little progress in the Chamber's discussions with Government regarding renewal terms for 75 year Renewable Crown Leases. Here again the whole case has been re-submitted to Government with a request that it be referred to The Secretary of State for a ruling, but it seems clear that holders of leases of this type have in equity, very definite grounds for demanding a review of the terms at present exacted. Mention of Leases leads to thoughts on the Colony's hunger for land suitable for the development of industry. It is hoped that work on the reclamation of the proposed new industrial area at Kun Tong will be pressed on as fast as possible and that this land will soon be available to suitable industries at rates which can be regarded as giving Government a reasonable price and industry prospects of a return on capital outlay of the undertaking. Moreover, I hope that Government will lose no time in earmarking alternative sites for those industries which, by their nature, cannot be accommodated at Kun Tong. On this subject I think that care should be taken to discourage a form of ribbon development around our existing roads. We have, and are trying to encourage, a tourist industry in the Colony and I think all Members will agree that sufficient inroads have already been made into the beauties of a drive around the New Territories or, for that matter, around Hongkong Island. The Report makes it abundantly clear that local industry on the whole has had another good year, with the ingenuity and capacity for real hard work of our industrialists achieving their well earned reward. Notable advances have been made in technique, both as regards manufacture and in some commendable cases, packing of goods, and it is apparent that in many lines Hongkong is entering the quality markets at very competitive prices. The recent Exhibition sponsored by the Chinese Manufacturers' Union produced ample evidence of this and it is worthy of note that several Overseas Manufacturers of world wide repute now find it well worthwhile to have their branded goods manufactured in Hongkong under licence. The start of the new Government Technical College is a notable event during the year and great hopes are pinned on the effects likely to be produced on our industries, by the ensuring of a continuous supply of trained workmen, particularly in the supervisory grades.

There have been the usual outcries in various markets about unfair competition from Hongkong and once again I

should like to congratulate Government on its firm handling of these complaints. In almost every case, presentation of the true facts has fully dealt with the situation and, in this connection, it is worth mentioning that, the Chamber was given by one of our non-British Members, an opportunity to refute suggestions that gloves from sources other than Hongkong were being relabelled and falsely declared as of Hongkong origin on shipment to his country. I understand that our Secretary's letter was published in the country's national press, with most satisfactory results. I regret to note, however, that there have been a few cases where unscrupulous shippers have gone in for malpractices of the nature I have just mentioned and I should like to congratulate the Department of Commerce and Industry for their recent successes in bringing offenders to book. The Colony's good name must be protected and the Chamber is giving, and will continue to give, full support to Government in seeing that genuine traders are not penalised by unfair competition of this nature. I should mention that we have been able to take greater steps on our own account to eliminate malpractices, as, during the year under review, we have formed our own Inspectorate service, members of which have been most energetic in this field. Your Committee does not, and will not, hesitate to use the powers which it has for dealing with those who transgress the rules of fair trading. Disciplinary action has already had to be taken against a few firms who are now no longer with us.

Side by side with the development of industry has gone the development by many of our exporting Members of their Departments dealing with local products. I mentioned last year the formation of the Hongkong Exporters' Association and with this organisation the Chamber maintains a friendly liaison as both are dedicated to the promotion and protection of the Colony's Trade.

It seems a pity, when the results of fair trading are so obvious, to have to observe that a great deal of potential harm has been done to the Colony by quite a few, I will not call them merchants, who, working in collusion with buyers in various South-East Asian countries where I.C.A. dollars were available, have seriously endangered the Colony's chances to continue as a large scale participant in this trade. I need hardly say that the Chamber deplores these practices and will do the utmost in its power to stamp them out. We are, at all times, ready and willing to offer our co-operation to official bodies whose generosity is doing so much in countries in this area with a view to seeing that funds are put to the best possible purpose in getting fair value for money. There are already instances of this liaison, but we would be happy to extend the co-operation at any time.

At this point, I should record our appreciation of such minor relaxations of an administrative nature as the Department of Commerce and Industry have been able to put into effect during the year by abolishing the tedious Essential Supplies Certificates system and by a less rigid enforcement of the quantitative import control, both of which changes whilst they did not result in any appreciable increase in trade did reduce considerably the paper work involved and give merchants more freedom to order as they thought fit. As a body of merchants we were also glad to see that Government were able to return trading in the last remaining controlled commodities to private enterprise. I would also like to express our appreciation of the sterling work done on our behalf by the China Association in yet another year. It has so happened that many of the trade problems affecting Hongkong have, for good reason, been discussed in London and the Association has always borne us in mind with sympathy and keen insight.

(END)

PLASTICWARE INDUSTRY IN HONGKONG

By Jolly Chu

Plastic is any material that can be softened and moulded or pressed into a desired shape. It is used for the manufacture of a great variety of products, such as tooth brushes, plates, hair combs, coat hangers, cigarette cases, electrical fittings, signboards, chopsticks, toys, vases, rulers, bowls, spoons, poker chips, purses, school shuttles, sun-glasses, shoe-horns, thimbles, pencil sharpeners, soap boxes, wall tiles, face powder boxes, dishes, mugs, set-squares, etc. There seems to be no limit to the kinds and designs of products that can be made from plastics.

Plasticware manufacturing is a new industry in Hongkong. It was introduced only after the Second World War. Cheap labour and wide range of plastic products were the most important factors in the development of the plasticware industry. This industry is now well established and maintains an almost unrivalled position because of the superiority of its products over the articles produced from materials it intends to substitute. Continuous stream of inventions and improvements of machinery designed in various western countries, contribute to an optimistic picture of the future of the local plastic industry.

The pioneer in the plastic industry in Hongkong was the Kader Industrial Company Ltd. which launched a manufacturing plan early in 1947. Yet production commenced only in 1949 when some other factories already started production. Thus Kader was the first to build, but not the first to produce plasticwares in Hongkong.

Plasticware manufacturing is a light industry. In Hongkong it is almost a cottage industry as it can be operated on a family basis. A big plasticware manufacturing factory such as Kader invest ten million dollars or more, whereas a small factory run on a family basis can be operated with a \$5,000 capital. Factories are found in Kowloon and Hongkong. In 1954, there were 10 big factories and 26 small ones. In 1955, there were 17 big factories and the number of the unregistered ones probably exceeded 300. Among the larger ones are Kader, Kau Tai, Pau Yeung, Ching Kwong, Chung Yeung, Winsome, China, Advance, Sunlite, Evergreen, May Dig, Nylex, and Good Ever.

About 1,000 workers are employed in this industry. Except in large factories, there are no skilled operators as the work is only of a semi-skilled nature. The average wage of an unskilled worker is about \$2.50 a day. The wage system in the Kader Industrial Company stipulates \$3.90 for a skilled worker a day, \$3.30 for a semi-skilled and \$2.10 for an unskilled worker. There is at present no registered special trade union in this industry.

Most of the raw materials are imported from the United States and Canada. Moulding is the chief method employed in the plastic industry. Broadly speaking, every plastic moulding material falls into one or the other of the two main categories, viz. thermosetting materials and thermoplastic materials.

Thermosetting materials include Pheno-formaldehyde, Urea-formaldehyde, and Melamine-formaldehyde. These materials undergo a chemical change during the process of moulding which renders them infusible, and consequently articles moulded in thermosetting plastics do not soften again even when exposed to great heat. For example, chopsticks and electrical fittings are made of this material.

The author of this article is a student in the Department of Economics and Political Science, University of Hongkong. He had at his disposal material collected by Mr. Au Kam Nin whose help is gratefully acknowledged. The article was prepared under the supervision of Mr. E. F. Szczepanik, Lecturer in Economics, University of Hongkong. (Editor's Note).

Thermoplastic materials include Cellulose Nitrate, Cellulose Acetate, Polystyrene, Polyvinyl Chlorate and Polythene. These materials do not undergo any chemical change during moulding but a physical change only. Articles moulded in thermoplastic materials will soften when exposed to temperatures higher than the softening point of the particular material of which the article has been made. For example, soap boxes and rulers are made of polystyrene, tooth brushes and torch parts are made of cellulose acetate.

Fully automatic machines are used by large factories. The leading one at full capacity can utilize 100,000 to 150,000 lbs of moulding powder a month. With mechanical operation, 14 to 16 combs can be produced in 30 seconds as compared to 4 combs with manual operation. The machines generally range from $\frac{1}{2}$ to 5 oz capacity. As a result of this limited capacity of the machines, all articles produced in Hongkong are small in size. Moulding machines of small capacity can be made in Hongkong and are generally used by small factories. Because of the comparatively low cost of the machine and the simplicity of operation almost all the small factories are run by a single proprietor who employs a few workers.

Most of the products made by small factories are consumed locally and this amounts to about 15% of total output. The rest is exported, chiefly to Malaya, Africa, and other British Commonwealth countries, which together take up more than half of the output.

Value of exports of articles made of plastics in 1955

	HK\$
Malaya	2,157,680
Africa, West (British)	703,325
Middle and Near East Countries	625,003
British Commonwealth, Other	518,955
West Indies, British	457,458
Burma	426,269
African Countries, Other	390,322
Africa, East (British)	356,256
Philippines	293,996
Ceylon	289,895
America, South (excluding Argentina and Brazil)	258,968
United Kingdom	142,822
Africa, Central (British)	135,226
Thailand	128,496
America, Central	116,212
New Zealand	105,735
Indochina	99,522
Borneo, North	98,023
Oceania, United States	71,813
Australia	69,230
U.S.A.	66,230
Oceania, n.e.s.	53,073
Oceania, British	45,885
Asian Countries, Central	45,561
Indonesia	33,810
Argentina	31,699
European Countries, other	23,239
India	21,574
Macao	19,617
Africa, South	18,903
Formosa (Taiwan)	18,738
Netherlands	17,891
Canada	14,882
Japan	11,704
Sweden	8,652
Turkey	7,500
Italy	1,772
Germany (Western)	1,403
Egypt	1,329
Pakistan	1,204
Denmark	1,071
China (excluding Formosa)	410
Belgium	210
Korea, South	185
Total	\$7,880,851

The total value of Hongkong products exported in 1955 was \$730 million, and therefore the export value of articles made of plastics constituted about 1.1% of the total.

As all the raw materials have to be imported, difficulties arise when there is any shortage of supply. This happened in 1951 when the U.N. Embargo Act was enforced upon the outbreak of the Korean War. As a result, there was practically no supply and most of the small factories had to close down. Fortunately the Act was later relaxed and raw materials were again available for the local manufacturers. Government had helped to popularize the local plastic products through the distribution of publicity literature. The Imperial Preferences granted to the local manufacturers also help to protect them from excessive foreign competition. As the labour costs here are much lower than in western countries, Hongkong plastic products find easy markets in South East Asia and in Africa. Good handicraftsmanship enables Hongkong industrialists to turn out plastic goods which can compete even with the articles pro-

duced in Europe and in America.

Among the obstacles facing the Hongkong plastic industry, the growing competition of Japan is of the greatest importance. Japanese and Hongkong plastics compete mainly Indonesia, Thailand and Malaya. There are, however, still many fields in plastic industry in which Hongkong could successfully compete, such as extruded plastics for watch bands, belts, and wire; the plastic coated rattan for baskets, handbags, lampshades, trays, mats and furniture; the plastic slippers and shoes, etc. The plasticwares shown at the 13th Exhibition of Hongkong Products included a very wide variety of utility articles, and many of them were ingeniously designed. Kader occupied the largest stall with the widest variety of plastic toys, e.g. walking and dancing dolls, sewing machines and climbing monkeys. Plastics have now become good substitutes for rubber, wood, leather, and metal. Its unlimited field is open to industrialists to explore. If the manufacturers undertake some research in this field, this industry may have a very promising future.

HONGKONG STATISTICAL REPORTS

February 1956

Vital Statistics:

	February	Total (Jan.-Feb.)
Birth	7,248	15,950
Death	1,576	3,209

Retail Price Indices:

	Feb. 1956	Feb. 1955
Food (including drink)	119	116
Rent	119	119
Clothing (including footwear)	91	90
Fuel	92	105
Electric Light	59	60
Cleaning	90	89
Education	140	138
Tobacco & Cigarettes	113	113
Doctors & Medicines	105	106
Fares	100	100
Household Equipment	112	111
Hair Dressing	122	122
Newspapers & Stationery	153	153
Shoe Repairs	78	81
Rates	100	100
General Retail Price Index	114	113

Hongkong Clearing House Figures:

November, 1955	\$1,260,188,799
December, 1955	1,348,013,094
January, 1956	1,204,527,528
February, 1956	1,253,265,515

Banknotes in Circulation:

	February
The Hongkong & Shanghai Banking Corporation	\$675,742,000
The Chartered Bank of India, Australia & China	47,012,205
The Mercantile Bank of India, Ltd.	4,626,200
Total	\$727,380,405

Production of Electricity and Gas:

	February	Total (Jan.-Feb.)
Electricity (kw. Hrs.)	48,298,822	101,578,338
Gas (cubic feet)	54,415,500	112,768,600

Food Supply:

	February	Total (Jan.-Feb.)
Animals Slaughtered (heads)	73,628	154,298
Fish Marketed (tons)	2,383	5,914
Vegetables Marketed (tons)	8,172	16,145

Registration of Factories:

	February	Total (Jan.-Feb.)
Applications Received	40	103
Cancelled and (Refused)	19 (3)	36 (7)
Certificates Issued	20	85

Hongkong Building Construction in February:

	Cost in HK\$		
	Number	Building	Site Work
City of Victoria—			
Offices and Shops	2	81,000	—
Houses and Flats	35	1,742,195	69,250
Other (including mixed accommodation)	6	235,341	4,287
Island outside Victoria—			
Factories and Godowns	2	14,000	2,200
Houses and Flats	31	2,095,852	192,500
Other (including mixed accommodation)	9	438,350	59,400
Kowloon and New Kowloon—			
Factories and Godowns	9	1,388,109	12,200
Houses and Flats	63	3,351,071	260,108
Other (including mixed accommodation)	6	122,146	9,953
Total (February, 1956)	163	9,468,064	609,898

Production of Cement:

	February	Total (Jan.-Feb.)
Cement (metric tons)	10,763	22,029

Kowloon-Canton Railway

(British Section):

	February	Total (Jan.-Feb.)
Passengers		
Upward	243,637	372,303
Downward	216,469	340,252
Concession Tickets	14,906	30,053
Freight		
Upward	827,110 kgs	1,834,260 kgs
Downward	12,453,880 kgs	25,105,520 kgs

Vehicular Traffic:

Total number of vehicles and drivers licensed:

	In February	Total on Feb. 29
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Vehicles:

Trams	—	126
Motor Cycles	32	1,465
Private Cars	234	17,245
Taxis	3	344
Public Hire Cars	5	283
Motor Buses	—	563
Public Lorries	23	1,394
Private Lorries	52	1,783
Government Cars & Lorries	15	826
Rickshaws (Private)	3	24
(Public)	—	853
Public Chairs	—	6
Tricycle (Goods)	1	775
Hand Trucks	—	1
Trailers	—	8

Drivers:

Motor Car Drivers	841	51,106
Rickshaw & Tricycle Drivers	241	2,889
Hand Truck Drivers	—	4

SHIPPING**FOREIGN TRADE CONDUCTED BY JUNKS AND LAUNCHES
UNDER 60 TONS**

	February		Total (Jan.-Feb.)	
	Inward	Outward	Inward	Outward
Tonnage of Cargo: Junks ..	74,084	2,822	155,601	6,512
Tonnage of Cargo: Launches .	3,435	928	8,230	2,043
Total	77,469	3,750	163,831	8,555
Tonnage of Vessels: Junks ..	88,911	88,693	190,587	190,332
Tonnage of Vessels: Launches .	7,826	7,957	16,745	16,870
Total	96,737	96,650	207,332	207,202

COMMERCIAL CARGO TONNAGES

	February		Total (Jan.-Feb.)	
	Discharged	Loaded	Discharged	Loaded
Ocean-going Vessels (tons)	246,278	132,221	554,801	271,572
River Steamers (tons)	1,115	1,599	2,215	2,550
Total	247,393	133,820	557,016	274,122

AVIATION**Arrivals and Departures of Aircraft,
Passengers and Freight at Kai Tak**

	February	Total (Jan.-Feb.)
Aircraft.		
Arrivals	285	588
Departures	285	583
Total	571	1,171
Passengers:		
Arrivals	5,439	10,714
Departures	6,045	12,051
Total	11,484	22,765
Freight:		
Imports (kilogrammes)	56,872	106,260
Exports (kilogrammes)	141,517	296,641
Total	198,389	402,901

HONGKONG'S TRADE WITH OTHER COUNTRIES IN EAST ASIA

	Imports		Exports			
	February	Total (Jan.-Feb.)	February	Total (Jan.-Feb.)		
	HK\$	% of Total Trade	HK\$	% of Total Trade	HK\$	
Burma	3,382,127	1.02	6,336,021	1,104,431	.46	1,803,499
Ceylon	268,864	.08	343,259	1,124,892	.47	2,246,181
Indochina	4,390,803	1.33	10,754,409	14,698,856	6.08	31,919,851
India	4,456,928	1.35	11,103,537	1,140,775	.47	2,551,207
Pakistan	13,966,877	4.23	26,015,316	349,307	.14	690,575
Malaya	11,680,292	3.54	28,613,867	26,157,200	10.82	61,206,356
Philippines	1,571,615	.48	3,496,924	2,283,147	.94	5,390,185
Thailand	12,692,118	3.84	28,645,925	33,061,163	13.67	60,063,181
Indonesia	677,643	.21	5,429,795	43,781,112	18.11	77,510,408
China	79,662,064	24.12	173,445,295	7,768,526	3.21	15,087,924
Formosa	2,125,504	.64	6,908,546	4,085,955	1.67	7,488,968
South Korea	1,919,127	.58	2,125,625	10,772,381	4.46	25,582,684
Total Trade of Hongkong	330,213,439	100	715,746,987	241,764,059	100	492,997,275

FINANCE & COMMERCE

FAR EASTERN TRADE TRENDS

Hongkong's position as entrepot for China is declining. Peking resents such a thing as an 'entrepot for trade with China', being of the opinion that in the 20th century China can trade efficiently with all countries without the 'aid' of any entrepot. Direct shipping to China ports is now easy and routine; Taiwan little interferes nowadays. Europe can ship to North and Central China and load in China goods for European or any other destination. Hongkong's exports to China have dropped, are bound to decline more. But Hongkong's imports from China should further rise as the British colony can and does serve as distributor, also as consumer, of goods made in China. The unfavorable balance of HK's trade with China (last year \$124 m.) is bound to rise. Despite limitations on exports to China—irrespective of lifting of UN embargo—HK's prosperity has progressed; new industries expand, construction is booming, overseas Chinese capital is flowing into investments of all kinds into HK; a tourist bonanza, mainly US servicemen and travellers, and British Forces' spending are strongly supporting the 'artificial' prosperity of HK.

China is stepping up exports; many goods, incl. food, are shipped abroad at heavy sacrifice of people who have to be satisfied with glory and prestige. Misery in many parts of China is depressing but the export drive is being stepped up. Not only exchange is earned by Peking, thus facilitating imports of capital goods and raw materials, but prestige is won, especially in Asian markets, by Chinese products. Hongkong has seen the influx of Chinese goods and has wondered at the large quantities of foodstuffs being dumped here. Many innocent people must have gained the impression that China is a land of food abundance; many Chinese have experienced a great sense of patriotic uplift—Peking has restored the ancient glory to the Celestial Empire. More cynical Chinese, usually from Shanghai, have taken a more realistic view. Anti-communist Chinese traders, conversant with the hard facts, are assisting Peking's trade drive by selling via Hongkong to Southeast Asian markets; thus overseas Chinese are, in fact, of great economic importance to Peking.

Malaya: Foreign trade bustled last year—a record export surplus of \$336,000,000—and this year promises to be finer. Over-all value of the trade last year amounted to \$7,979,831,723 including parcel post, ships' bunkers and stores, gold bullion and specie, topping 1954 total by \$1,700 million. Imports valued \$3,821,907,172 but exports went over the \$4,156,000 mark. Favorable balance of trade during December reached \$11,069,675 with imports at \$332,481,679 and exports at \$343,551,354. Aside from Britain and US, business continued to expand with Indonesia, Japan, West Germany, Hongkong, Sarawak, Australia, Burma, China.

Bank of England expert, G. M. Watson, is now in Singapore to advise on the establishment of a central bank there. The Borneo Territories will not join any central banking system developed in Malaya. The Borneo authorities, with Singapore and Malaya, use the same dollar.

Indonesia: Indonesia will buy US\$100,000,000 worth of surplus farm commodities for rupiahs. This is the largest ever negotiated US surplus deal under the US law which permitted sale of farm products for foreign currencies. Indonesia's purchases cover 550 million pounds weight of rice, 206,000 bales of cotton, 23,000,000 pounds of leaf tobacco, and 1,270,000 bags of wheat flour. Part of the Indonesian currency, probably 70 per cent, would be loaned back to that country for development projects.

The Forestry Department of East Java is investigating the possibility of establishing two newsprint factories. The Department is planting some regions with the types of trees that would provide material for the manufacture of news-

print. Indonesia will save 522 million rupiahs a year which it now spends on newsprint imports, if it builds the two mills.

The Government established a special council to implement, supervise and coordinate government policy concerning foreign investments. As it appeared that government and domestic investments were not yet sufficient to raise the nation's standard of living, it was essential to attract foreign capital for this purpose. Each project would be considered on the basis of advantages for Indonesia as regards the volume of capital to be invested; proceeds of production either in rupiahs or foreign currency (as proceeds from export or savings in foreign exchange); the currencies to be transferred; the currency for salaries of foreign employees, royalties, patents etc; tax returns, employment, skilled training for Indonesian in management and technique, etc.

Thailand: Projects totaling US\$33.3 million have been approved by the International Cooperation Administration to help Thailand achieve economic and political stability. The projects include \$4.8 million for technical assistance and \$28.5 million for defense support. In order to make possible, at low costs, domestic output of certain essential articles that are now being imported but for which raw materials are available in Thailand, the Thai Government has drawn up projects designed to provide domestic industry with cheap power. In addition to the Yarn Hee Project, there are at present 17 small-scale hydroelectric power schemes in various parts of the country. The Bank for Industry was reorganized into an effective organization that will provide long-term loans at low rates of interest to help industries. The Bank will seek foreign loans for government and private investments in domestic industry.

Burma: Burma, with estimated export rice surplus of 1.8 million tons this year, is continuing rice sales at competitive prices to Southeast Asia. During second half of 1955 some 50,000 tons of rice were shipped to Indonesia under a barter agreement between the two countries. Later 210,000 tons of rice were purchased on an inter-Government contract. Burma is to sell 50,000 long tons of rice to Yugoslavia in each of the next five years under an agreement between the two countries. Burma would buy Yugoslav consumer goods and machinery equivalent to the value of the rice. A second agreement provides for technical cooperation between the two countries, while a third states that the two countries will enter into "long-term corporation" for the development of industry and the utilization of their power resources and natural wealth.

Ceylon: Ceylon's financial position has never been better; there is no inflation and consumer goods are in plentiful supply. As regards rubber, 50,000 acres of worn-out rubber were planted with high yielding clones under a Government-sponsored rehabilitation program. A further 100,000 acres of rubber would be replanted in the next four years, and when this area comes into bearing, Ceylon's total production of rubber would increase by 50 per cent. A parallel program for the development of the coconut industry would be brought into effect shortly.

A sum of 10 million rupees has been earmarked for rehabilitation of the Ceylon coconut industry during the year. Eight million rupees will be spent on subsidizing fertilizers issued to coconut growers. A subsidy of fifty per cent on fertilizers will be granted to small holders while the subsidy to estates will be 33 1/3 per cent. Coconut seedlings worth about a rupee each will be made available at a third of the price as a further incentive to rehabilitation and new planting. The subsidy on the issue of seedlings is estimated to cost two million rupees a year. The scheme for subsidizing fertilizers and seedlings will be continued until

such time as the industry is on a sound footing and the entire cost will be met from revenue.

India: Approval of US\$50 million to India for economic development assistance has been announced by the International Cooperation Administration. This will augment India's economic development program. India has spent more than US\$4 billion since the start of its first 5-year plan in 1951 to raise the living standard of the 372 million population. The new \$50 million will be applied to India's second 5-year plan which starts April 1 and will bring total U.S. Government economic aid to India to \$324,474,000. The new ICA funds will be used to continue programs such as acquiring steel for railways, fertilizer, DDT for malaria control, grain storage facilities, and other purposes. As its own economy has developed, more and more of U.S. economic assistance has been in the form of loans rather than grants. The ICA 1956 development assistance fund will be in addition to \$10 million to be allotted India for technical cooperation.

India's new five-year plan sets extremely high targets for industrial expansion. Chief emphasis is on heavy industry. Top priority is given iron and steel, machinery, heavy engineering, chemicals, transportation and cement.

Railway freight capacity, for example, is to be upped 34 per cent. The plan is ambitious in many respects. In addition to expanding the industrial structure, its target is a 25 per cent increase in national income. To accomplish this, \$10 billion is to be spent—over 60 per cent by the government. Much of this must come from deficit financing. One major objective of the Indian Planning Commission is to narrow the income gap between the rich and the poor. Average income is now about \$50 yearly. To help increase this, a ceiling will be imposed on the wealthy. Suggested figure is 30 times the per capita average. Presumably, incomes above the base (\$1,500) would be confiscated.

India swings further to the left with her decision to nationalize life insurance. The move underpins the "Socialist pattern" by providing a large source of finance for the second Five-Year Plan. Close observers doubt contentions that 45 per cent of insurance money will continue to flow into private investment. The fact is that public projects are getting priority. More industries would be added to public holdings under a new industrial policy being worked out by state planners. Heavy industry and mining rate highest. Private business would get stricter control.

HONGKONG EXCHANGE MARKETS

For the week of 23rd to 28th April 1956

		U.S.\$			
April	T.T. High	T.T. Low	Notes High	Notes Low	
23	\$586½	586	583½	583¼	
24	587¼	586½	584½	583½	
25	586½	586½	584¼	583½	
26	586½	586¼	584½	583½	
27	586½	586½	584½	583½	
28	586½	586½	584½	583½	
D.D. rates: High 585 Low 584¼.					

Trading totals: T.T. US\$2,870,000, Notes cash US\$390,000 and forward US\$1,650,000, and D.D. US\$330,000. The market was very quiet; rates within narrow limits. As cross rate in New York seemed to have found its right level and there was no important news to cause fluctuation, future trend of market is expected to be quiet. In T.T. sector, demand by gold and general importers were well met by offers from Korea, Japan and the Philippines. In Notes market, shippers continued to demand and their profit was 2½ points. Interest for change over favoured sellers and amounted to \$2.19 per US\$1,000. Positions were at daily average of US\$1½ million. In the D.D. sector, the market continued quiet.

Yen: Some small business transacted in fictitious forward and interest fixed in favour of buyers and amounted to 80 cents per Yen 100,000. Cash quotations were \$1,482—1,470 per Yen 100,000.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.86—1.855, Japan 0.015—0.0149, Malaya 1.873—1.869, Vietnam 0.06802—0.0666, Thailand 0.2717—0.2702. Sales: Pesos 335,000, Yen 115 million, Malayan \$380,000, Piastre 13 million, and Baht 7 million. The market was quiet but found more sellers for Malayan Dollar and Piastre.

Chinese Exchange: People's Bank Yuan notes quoted at \$1.60 per Yuan. Taiwan Bank Dollar notes quoted at \$154—152 per thousand, and remittances at 151—148. Little business done.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.85—15.79, Australia 12.25, New Zealand 13.93—13.85, Egypt 15.20—15.15, South Africa 15.65—15.64, India 1.1825—1.1775, Pakistan 0.905—0.90, Ceylon 0.90, Burma 0.4725—0.47, Malaya 1.836—1.827, Canada 5.84—5.835, Cuba 4.50, Philippines 2.005—1.985, Switzerland 1.35, West Germany 1.35, Italy 0.92, France 0.01445—0.014325, Vietnam 0.0735—0.0715, Laos 0.078—0.075, Cambodia 0.074—0.073, Indonesia 0.187—0.178, Sandakan 1.50, Thailand 0.262—0.261, Macao 0.995.

Gold Market

April	High .945	Low .945	Macao .99
23	\$265½	264½	
24	265½	264½	266½ High
25	265½	264½	
26	265½	264½	Low 265½
27	265½	264½	
28	265½	264½	

The opening and closing prices were 255 and 254½, and the highest and lowest were 255½ and 254½. The market was very quiet and tradings were mainly between importers and exporters. Interest for change over favoured buyers and netted 1 cent per 10 taels of .945 fine. Tradings totalled 32,640 taels or averaged 5,440 taels per day, while speculative positions taken figured at a daily average of 20,800 taels. Cash sales amounted to 30,990 taels, of which 1,490 taels listed and 29,500 taels arranged. Imports totalled 22,500 taels, and these were all from Macao. Shipments of a total of 72,000 fine ounces arrived Macao in the week. Exports figured at 21,500 taels (9,500 to Singapore, 7,000 to Indonesia, 3,000 to Rangoon, 1,000 to Vietnam, and 1,000 to Korea). Differences paid for

local and Macao .99 fine were \$12.80—12.60 and 11.80—11.60 respectively per tael of .945 fine. Cross rates were US\$37.92—37.90. 9,600 ounces contracted at 37.91 C.I.F. Macao. US double eagle old coins and new coins quoted \$253.00 and \$224.50 respectively per coin, and Mexican gold coins 273.00—272.50 per coin.

Silver Market: The market was slightly steady on some enquiries by exporters. Bar silver quoted \$6.18—6.15 per tael with 1,000 taels traded, \$ coins quoted \$3.95—3.92 per coin with 1,200 coins traded, and 20 cent coins quoted \$2.00—2.98 per 5 coins with 1,500 coins traded.

Market Developments: Steadiness ruled in absence of stimulating news. Gold exports are heavy; a big shipment to India was made which is not included in the figures listed above under "Gold Market", and it comprised over 25,000 ozs. Indian bullion markets pay highest prices and attract gold from all sources and via all routes. Some gold exports from here to Singapore and Rangoon are often re-exported to Indian and Pakistan ports. Ships and planes are used as carriers. April exports of bullion totaled over 150,000 ozs. Imports are regular and stocks adequate. Booking of indents is in line with enquiry from SE Asia and also Japan and Korea.

US\$ offers are rising; Korea is good supplier as US aid funds there are so ample, and SE Asia remains a strong and reliable source. That quotations are unchanged results from bullion export business and active merchant demand, all kind of merchandise being imported from America and from various countries against payment. In New York; local entrepot trade, for SE Asian end-users, is buoyant.

Malayan currency continues weak as Singapore remits via official and un-

official markets considerable amounts to London, Hongkong and other centres. Australian investments made by overseas domiciled persons are rising. During last month large amounts of Malayan dollar were converted into sterling and sterling area currencies, some financial brokers estimating this outflow, mainly from Singapore but also a little from Malaya, at £4 million. Authorities there denied the present capital flight trend without convincing anybody. Nervous capital knows no nationality; among big transferees were found wellknown Chinese names of Hongkong's 'sister colony'.

Local money market remains easy and ambitious projects are being financed without—it seems—causing financiers sleepless nights. The construction boom is here to stay; demolitions proceeding at a fast pace with the effect that certain parts of the business and residential districts resemble war-devastated and scorched-earth areas. Interest rates are unchanged but private lenders are increasingly inclined to give it cheaper.

HONGKONG SHARE MARKET

(April 23-27)

Trading was more active than the previous week and the turnover totalled \$3.57 million (\$2.86 m for the previous week). Buying offers were high on Monday; most shares reached peak levels of the week. Profit-taking eased prices the following day. Further decline was, however, prevented when sellers refused to part with their holdings at lower rates. As a result, trading slowed down but prices in general were steady on Friday. Shares which retained steady demand throughout the week included Wheelocks (27,000 shares transacted), Docks (4,200 shares), Lands (3,000), Realities (26,000), Trams (18,000), Electrics (7,800) and Cements (7,200); all registered slight increases. Fluctuations during the week were small:

Shares	April 20		Last Week's Rates			Ups or Downs
		Highest	Lowest	Closing		
HK Bank	1680	1680	1670 b	1676		—\$5
Union Ins.	987.50 b	1000 s	990 b	990	+\$2.50	
Wheelock	8.55	8.90	8.60	8.90	+35¢	
HK Wharf	76	78	76.50 b	76.50 b	+50¢	
HK Dock	36.25	37.25	36.50	37 b	+75¢	
Provident	14 s	14	13.70 b	13.90		—10¢
Land	62	62.50	62	62.50	+50¢	
Realty	1.50 s	1.50	1.45	1.45		—5¢
Hotel	13.90	14	13.50 b	13.80		—10¢
Trams	22.50	22.90	22.50	22.60	+10¢	
Star Ferry	130 b	135 s	130 b	131 b	+1¢	
Yau-mat	102	104	102 b	104 s	+2¢	
Light (o)	22.50	22.80	22.40	22.80 s	+30¢	
Light (n)	19.80	20	19.70	20 s	+20¢	
Electric	30	31.25	30.25	30.75	+75¢	
Telephone	22.90	23.30	22.75 n	22.90	firm	
Cement	37.75	38.25	34	36.25	+\$1.50	
Dairy Farm	16.40	16.70	16 b	16.10		—30¢
Watson	11	11.20	11	11.10 n	+10¢	
Yangtze	6.50	6.70 s	6.50 b	6.60	+10¢	
Allied Investor ..	5.15 n	5.45	5.25	5.45	+30¢	
HK & FE Invest ..	11.30 s	11.30 n	11 n	11 n		—30¢
Amal. Rubber ...	1.55 s	1.50	1.45 b	1.475	—7½¢	

Monday: The market was active with buyers raising bids on account of the paucity of scrip. Prices advanced on a wide front and were well maintained. The turnover amounted to approximately \$960,000.

Tuesday: Apart from Yau-mat's most utilities sustained minor losses. Prices in general were steady. The turnover amounted to approximately \$890,000.

Wednesday: Apart from some activity in Trams and Amalgamated Rubbers, little interest was shown elsewhere. Prices drifted fractionally lower. The turnover for the half day amounted to approximately \$710,000.

Thursday: Business was slower but prices firm. Cements were marked up to \$35. The undertone was steady and the turnover amounted to approximately \$490,000.

Friday: Quiet conditions prevailed on the closing day but the undertone was steady and price changes were negligible. The turnover amounted to approximately \$520,000.

The Secretaries for Yangtze Finance announced that at the close of business on April 26, 1956, the shares had a statistical value of \$8.43.

APRIL TRADE REPORTS

TRADE DEVELOPMENTS

China Trade: Peking signed a trade and payments agreement with Cambodia towards the end of April. Prominent among China's direct dealing during the month were the purchase of 60 tractors from UK and large quantities of raw cotton from Egypt and Pakistan. China also sold 100,000 tons of soyabean to Japan and 150,000 tons of coal to Pakistan. In the local market, supplies from China registered further increases both in volume and in scope; many new items such as radio sets, leather shoes, canned butter, printed piecegoods, and mild steel round bars reached here in addition to regular shipments of industrial products and farm produce. China's purchases here improved slightly; interest was centred on selective items of dyestuffs, pharmaceuticals, and industrial chemicals.

Taiwan Trade: Taiwan concluded a US\$90,000 barter trade with Korea. Sugar production in Taiwan this year will total about 800,000 tons; 510,000 tons have already been sold including 140,000 tons to Japan, 15,000 tons to Abyssinia and 7,000 tons to Ceylon. Taiwan increased her purchases here in the latter part of the month; metals, pharmaceuticals, industrial chemicals, leather and beans constituted major portions of these orders. Imports from Taiwan consisted of sugar, tea, citronella oil and other farm produce as well as 4,000 hogs.

Japan Trade: A new Japan-Thailand trade pact was concluded. Tokyo is striving to minimize the scope of barter trade particularly with UK, HK and other British colonies. HK-Japan trade remained brisk throughout the month. China produce and metal scraps were main exports to Japan while metals, paper, machinery, cement, textiles, and sundries were major imports from Japan.

Korea Trade: Seoul required that civilian imports from HK and Taiwan must be shipped by Korean ships and that 50% of imports under International Cooperation Administration funds must be shipped by US vessels. Exports from here to Korea registered some improvements as more L/Cs reached here during the month, mostly for paper, metals and textiles.

Indonesia Trade: Djakarta removed import restrictions on cotton yarn, staple yarn, matches, cotton towels, shoe laces, and blankets. Djakarta announced that 36,250 bales US raw cotton would be processed by Japan, Western Germany, UK, Belgium, and Hongkong. Exports from here to Indonesia remained very active throughout the month.

Thailand Trade: Bangkok resumed direct imports from Japan and also

allowed the use of US-aid funds for such imports. Direct trade with China was officially denied by Thailand; however, import restrictions on goods of Communist origin were relaxed. Thailand rescinded the import control on 20 items and cut export duties on beans and rubber. Despite the resumption of direct trade between Thailand and Japan, Bangkok continued to procure supplies from here particularly metals, paper, and industrial chemicals. Imports of rice and other farm produce from Thailand remained steady.

Vietnam and Cambodia: Vietnam increased import duties on textiles, knitted goods, apparels, canned goods, enamelware, aluminiumware etc. in order to protect her home industries. Saigon bought more from Japan and US with US-aid funds and imposed import restrictions on HK goods. Exports from here to Vietnam therefore slowed down. Trading between HK and Cambodia remained active, exports to Cambodia consisted mostly of garlic, wheat flour, metals, textiles, and sundries.

Philippine Trade: Manila lowered import duties on construction materials and required that in barter transactions freight for exports must be paid in the Philippines. Most trade between HK and the Philippines were concluded on barter basis with mango as the leading Philippine export in exchange for textiles, apparels, and sundry provisions.

Burma Trade: Burma revised her import schedule to permit imports of optical appliances, office equipment, motor-car spare parts, etc. Purchases by Burma from here improved during the month. Exports of gourmet powder, preserved vegetables, cotton socks, textiles, and cardboard boxes totalled about HK\$1 million.

COMMODITIES

China Produce: Market was very active throughout the month with unabated demand from Japan, S.E. Asia, and Europe. Prices were generally firm. Garlic was under seasonal demand; several thousand crates, both toasted and untoasted, were shipped to S.E. Asia. Woodoil was briskly traded at a steady price with Japan, Australia, and Taiwan as buyers. Teaseed oil maintained the peak price, although more supplies arrived. Aniseed oil registered sales to Japan and Europe; price eased due to the lower quotation in the international market. Cassia oil recorded repeated purchases by Europe; price was, however, barely steady. Citronella oil rallied when exporters probed for replenishments; peppermint oil firmed up on short stock; turpentine oil chalked up some small deals in a steady trend. Sesame seed enjoyed better demand from Japan

and many impressive orders were concluded; prices were further stimulated by advanced cost. Hop seed and hemp seed were active with local demand. Aniseed star was favoured by Japan, India, and Europe with little fluctuation in price. Bitter almond of Indian origin remained weak due to oversupply; that of Chinese origin was still short in supply. Cassia lignea was popular with Europe and Middle East; however, the prices turned downward when India suspended purchases towards the end of the month because of unpaying prices. Dried chilli was bought by India, Singapore, and Japan; prices first declined under selling pressure but later recovered. Dried ginger was short in supply; exporters were unable to meet overseas demand. Groundnut kernel witnessed new arrivals for transshipments to Canada; price recovered when the world market was marked up. Maize remained a favourite with Japan; price improved slightly. Feathers advanced on higher cost and dwindled stock. Rosin turned active with enquiries from Japan. Raw silk recorded new bookings at lower prices; spun silk was favoured by Europe and Indonesia; silk waste and tussah silk waste drew buying interest from Japan. Tea remained weak in spite of quantitative transactions in the latter part of the month. Rice bran and wheat bran enjoyed steady local demand. Yellow bean noted an upsurge of demand by Japan with sharp price gains; green pea also enjoyed satisfactory trading in both exports and local sales; other beans were steady with local demand.

Metals: Exports were comparatively slow during the month; however, local sales were brisk, especially in the factory items. Black plate waste waste noted very keen demand from local factories; low stock and higher indent stimulated prices. Galvanized iron sheets of the thicker gauges were particularly in demand for making water receptacles following the cut in water supply hours here. Tin plate was probed into by Korea, while tin plate waste waste was popular in local sales. Mild steel plate attracted more outport demand at steady prices; mild steel round bar was actively traded in forwards; mild steel angle bar turned firmer when both local and outport demand improved; mild steel flat bar eased under new arrivals. Brass sheet and zinc sheet enjoyed demand from factories here; copper sheet improved on better export demand; aluminium sheet was short-supplied and holders expected further price increases. Pig lead failed to advance on short stock. Iron wire rod noted a strong demand from exporters; iron wire nail was depressed by selling pressure. Brass and copper scraps were steady and iron scraps drew renewed demand from Japan at better prices. Baling hoop dipped further because stocks were heavy. Galvanized iron pipe and galvanized iron wire both chalked up good

business; the latter was particularly favoured by Cambodia. Other popular items were mild steel channel and joists, steel wire rope, steel window sash bar, salvaged steel plate, zinc ingot, and cast iron.

Paper: Trading improved during the second half month or when Korea and S.E. Asia provided better demand. Transparent cellulose paper continued to draw keen demand from Korea and Indonesia but stock shortage and low buying offers limited the volume of

business. Woodfree printing was probed into by Korean traders, many deals were still under negotiation by the end of month. Newsprint-in-reel noted strong buying interest from Korea; prices failed to improve because exporters mostly indented their own supplies from abroad. Newsprint-in-ream was brisk in local sales and the shortage was relieved by new arrivals. MG white sulphite rallied on more overseas enquiries. Aluminium foil was an item of Korean interest and business might be expected to be developed soon. Cigarette paper in ream noted better sales after long doldrums. Flint was brightened up when demand, both local and outport, became keener. Glassine was weakened by selling pressure although exports turned active. MG ribbed sulphite had many enquiries but business was curtailed by low stock. Tissue paper was depressed by liquidation of stocks intended for Korea; Vietnam and Indonesia were buyers. Duplex board was effortless under heavy stock. Straw board, however, recovered on improved sales although supplies, too, were abundant. Art printing, bond, mg. cap, and poster were steady on local demand.

Industrial Chemicals: Exports to Taiwan, Korea and Indonesia were active but the volumes transacted were limited. Citric acid was in season and drew buying interest from China, Taiwan and Korea at improved prices while stocks here dwindled. Linseed oil stood firmly at the high level and recorded some sales to Taiwan; ammonium bicarbonate was favoured by the same source at a firm price. Rongalite C lump was stimulated by enquiries from Indonesia for bulk supplies. Soda ash was probed into by Korea and prices climbed up. Barium chloride and carbolic acid noted outport enquiries with prices moving upward when selling resistance developed. Other exports sold were acetic acid, calcium carbonate, potassium carbonate, and cresylic acid to Korea; carbon tetrachloride, copper sulphate, formalin, gum arabic, gum copal, lead acetate, lead oxide, oxalic acid, shellac, stearic acid, zinc chloride, and lactic acid to Taiwan; iron oxide, and sodium hyposulphite to Indonesia; chlorate of potash to India. Local sales were active in calcium hypochlorite, cup grease, industrial tallow, petrolatum, paraffin wax, sodium bicarbonate, sodium cyanide, tanning extract, bleaching powder, and caustic soda.

Pharmaceuticals: Purchases by Taiwan, Korea, S.E. Asia, and China kept

the market brisk. Prices, as usual, witnessed very small fluctuations. Amidopyrin, glucose powder, santonin crystal, sacchrine crystal, saccharum lactose, and atebirin were favoured by S.E. Asia; aspirin powder, lysol solution, quinine ethylcarbonate, and sulfaguanidine powder by Taiwan; penicillin preparations, and sulfathiazole powder by Korea; caffeine alkaloid and sulfadiazine powder by China; calcium glucose powder by India. Local items included ascorbic acid powder, aureomycin capsule, adhesive plaster, baritone, brooklax, calci-ostelin, calcium bromide, calcium lactate, chloroform, cod liver oil capsule, dihydro-streptomycin, DDT powder, ferri ammonium citrate, phenacetin, potassium iodide, quinine sulphate, sanatonen, and vitamin preparations.

Cotton Yarn & Textile: Trading in cotton yarn was slowed down during the latter part of the month. HK yarns, however, enjoyed active bookings by UK and registered gains. Indian yarns were sluggish; Pakistan yarns showed little improvement; and prices declined; Japanese yarns remained steady with orders from local factories. The cotton textile market was bearish with following exceptions (1) Japanese white shirting received strong buying support from local shirt manufacturers and (2) HK textiles enjoyed good demand from UK.

Rice: Active local demand was well balanced by heavy arrivals from Thailand and other sources. Prices in Thailand were marked up but failed to stimulate the local market.

Sugar: Local demand was strong but exports were slow; prices in general were steady.

Wheat Flour: Slow demand and heavy arrivals from Australia eased the market but towards the end of the month Australian flour improved on orders from Rangoon and Pnompenn while American and Canadian products firmed on higher cost.

Cement: There were more local sales than exports. Chinese cement was marked up and maintained satisfactory local demand throughout the month. Japanese cement was also active but prices were easier on account of heavy stocks and selling pressure. Green Island products enjoyed steady local and export demand.

Hongkong Products: The enamelware factories here announced a 5% price increase (this is the second revision this year, the first increase was made on February 5th). Aluminiumware factories are now busy on orders from Indonesia, Africa, and Thailand; new bookings could only be accepted for delivery after August. More orders reached here from Africa for HK manufactured shirts, knitted wear, enamelware, etc.

COMMODITY PRICES ON APRIL 28

CHINA PRODUCE

(Prices per picul unless specified otherwise)

Aniseed Star: Kwangsi, 1st quality \$128 per quintal. Bran (Rice): Pnompenn mixed \$25.70; Philippine \$20.50. Bran (Wheat): HK\$35.5; Campher Tablet: HK processed 1/8 oz \$3.55; 1/4 oz \$3.50; all per lb. Cassia Lignae: Kwangtung/Kwangsi 1-cwt bale \$54.50; 80-lb bale \$51.50. Toasted Garlic: Swatow, \$102; Kam Shan \$132 per quintal. Duck Feather: HK, N. N. 35% \$480; South China 0/71d per lb c & f Europe. Goose Feather: HK GGS 90% \$640. Gypsum: Hupeh, white colour \$7.80. Fluorspar: Hunan 85-90% \$10/10 per metric ton c & f Japan. Lead Ingot: 99.9% \$115. Tin Ingot: Straits 99.75% \$760. Hog Bristle: Tientsin, No. 55 black 28/0d; Hankow No. 17 black 24/11d; Chungking No. 27 black 18/6d; Shanghai No. 17 black 14/0d; all per lb. c & f Europe. Ramie: Thai, yellow, 1st grade new \$92. Hemp: North China \$140/- per metric ton c & f Europe. Raw Silk: Shanghai 20/22 denier AAA grade \$3.270; AA grade \$3.235; A grade \$3.215; Canton AA grade \$3.091. Dried Red Chili: Hunan \$105; Honan \$78; Shantung \$85. Resin: Kwangtung X grade \$1,132 per metric ton; AAA grade \$1,124 per metric ton. Sesamum, Unhulled: Thai, black \$64; Vietnam, brown \$60. Hemp Seed: North East China, large \$94. Silk Waste: Antung AA grade, tussah silk waste \$5.35 per kg c & f Japan; Kwangtung A grade hard matte, white \$550 per quintal. Tea: Fukien, Pai Mu Tan, white, 1st quality \$1,630; Fukien, Ti Kwan Yin, black, 1st quality \$1,900; Anhwei, black \$4 per 1/2-lb tin; Taiwan, Jasmine, 1st quality \$430. Spun Silk: Shanghai 50-kilo case 210/2 \$1,935; 140/2 \$1,737; all per case. Aniseed Oil: Kwangsi, in drum \$1,600. Campher Oil: Taiwan, refined, in drum \$175; Kwangsi, crude, in drum \$150. Cassia Oil: 80-85% in drum \$1,330. Citronella Oil: Taiwan, June forward \$3.70 per lb. Peppermint Oil: Shanghai \$26 per lb. Teaseed Oil: in bulk April forward \$250/- per ton c & f Europe. Wood oil: refined, in bulk, spot \$185; in bulk, May forward, ex-KC railway station \$2,950 per long ton. Bitter Almond: Indian, red membrane \$310. Alum: Chekiang \$24. Bee Wax: Kwangsi \$433/- per metric ton c & f Japan. Galangal: Kwangtung, export quality \$24. Gallnut: Korea \$175. Hop Seeds: Tientsin \$48. Kapok: Hainan, selected \$210. Maize: Thai, red, forward \$24.80; Vietnam, yellow, forward \$26.90. Menthol Crystal: Shanghai \$35 per lb. Rhubarb: Tientsin, FAQ \$36. Silk Wadding: Canton, forward \$38.50 per kilo. Teaseed Cake: Kwangtung/Kwangsi, new \$13.50; Fukien, new \$12.50. Turmeric: North West China \$74. Honey: Honan \$120/- c & f Europe per metric ton. Liqueur: North China, 4th grade \$34.

(To be Continued)